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INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

HEARINGS

BEFORE THE

TEMPORARY NATIONAL ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

SEVENTY-SIXTH CONGRESS

THIRD SESSION

PURSUANT TO

Public Resolution No. 113 **(Seventy-fifth Congress)**

AUTHORIZING AND DIRECTING A SELECT COMMITTEE TO
MAKE A FULL AND COMPLETE STUDY AND INVESTIGA-
TION WITH RESPECT TO THE CONCENTRATION OF
ECONOMIC POWER IN, AND FINANCIAL CONTROL
OVER, PRODUCTION AND DISTRIBUTION
OF GOODS AND SERVICES

PART 27

IRON AND STEEL INDUSTRY **DISTRIBUTION AND PRICING OF SELECTED STEEL PRODUCTS** **THE BASING POINT SYSTEM**

JANUARY 26, 27, 29, AND 30, 1940

Printed for the use of the Temporary National Economic Committee



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II

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INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

FRIDAY, JANUARY 26, 1940

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:40 a. m., pursuant to adjournment on Thursday, January 25, 1940, in the Caucus Room, Senate Office Building, Senator William H. King, Utah, presiding.

Present: Senator King (acting chairman); Representative Williams; Messrs. O'Connell and Davis.

Present also: Walter B. Wooden, Assistant Chief Counsel, and Willis Ballinger, Director of Studies for the Federal Trade Commission, representing the Federal Trade Commission; Frank P. Smith, representing the Securities and Exchange Commission; A. H. Feller, special assistant to the Attorney General, Department of Justice; W. A. Janssen and John V. W. Reynders, representing the Department of Commerce.

Acting Chairman KING. The committee will be in order.

Mr. FELLER. Dr. DECHAZEAU, please.

Acting Chairman KING. I suppose Dr. Yntema ought to be around?¹

Mr. FELLER. He will be called later.

Mr. Chairman, I offer for the record a series of tables and documents prepared by the Department of Justice. I shall read the list of documents.

Acting Chairman KING. Are they all to be placed in the record?

Mr. FELLER. Yes, sir.

Acting Chairman KING. All right, but I am not sure as to the materiality of this.

Mr. FELLER. Letters of instruction sent to various steel companies, covering Form A and a copy of Form A.

(The documents referred to were marked "Exhibit No. 2189" and are included in the appendix on pp. 14331-14335.)

Mr. FELLER. Letters of instruction covering Form B and a copy of Form B.

(The documents referred to were marked "Exhibit No. 2190" and are included in the appendix on pp. 14336-14339.)

Mr. FELLER. A list of companies on Form A and Form B.

(The list referred to was marked "Exhibit No. 2191" and is included in the appendix on pp. 14339-14341.)

Mr. FELLER. Copy of the affidavits executed by each of the companies for Form A and for Form B.

(The document referred to was marked "Exhibit No. 2192" and is included in the appendix on p. 14341.)

¹ Dr. Theodore Otto Yntema, whose testimony for the U. S. Steel Corporation appears in hearings, Part 26.

Mr. FELLER. An outline of consuming districts for Form A and Form B.

(The document referred to was marked "Exhibit No. 2193" and is included in the appendix on pp. 14341-14343.)

Mr. FELLER. Supplement to the Form B tables.

(The document referred to was marked "Exhibit No. 2194" and is included in the appendix on pp. 14343-14347.)

Mr. FELLER. A summary of the results obtained from the answers on Form B.

(The document referred to was marked "Exhibit No. 2195" and is included in the appendix on p. 14347.)

Mr. FELLER. A list of the published base prices for reported products Form B for February 1939.

(The document referred to was marked "Exhibit No. 2196" and is included in the appendix on p. 14348.)

Mr. FELLER. Eighteen Form B tables, on each of the following products: Heavy shapes, plates, hot rolled sheets, and hot rolled strip.

(The documents referred to were marked "Exhibit No. 2197" and are included in the appendix on pp. 14348-14423.)

Mr. FELLER. Lastly, summary of analysis of Form B, distribution of selected products, February 1939.

(The document referred to was marked "Exhibit No. 2198" and is included in the appendix on pp. 14423-14428.)

TESTIMONY OF MELVIN G. deCHAZEAU, UNIVERSITY OF VIRGINIA, CHARLOTTESVILLE, VA.—Resumed

Dr. deCHAZEAU. As part of its investigation of the iron and steel industry for this committee, the Department of Justice with the cooperation of the Federal Trade Commission undertook a study of the distribution of shipments of certain selected steel products and a more detailed examination of certain pricing characteristics for some of them. I need not point out that this project was undertaken because there were no data available for any recent period showing the geographical distribution of steel products nor the magnitude of such pricing phenomena under a basing-point system as freight absorption, phantom freight, mill-net prices received, the extent to which the basing-point formula of pricing was observed, or the relative importance of extras in the price of steel. To obtain these data two questionnaire forms were devised, known as Form A and Form B.

THE FORM A QUESTIONNAIRE

Dr. deCHAZEAU. Form A was restricted to tonnage of shipments only, on 18 products in each of the years 1936, 1937, and 1938. To preclude the burden of an invoice analysis, it was first ascertained from most companies of any size in the industry, some 57 in all, how these shipments were recorded, if at all. Twelve of the large companies, which maintained machine tabulating systems using punch cards on which both State and county of destination were punched, reported shipments by States and also by the 64 consuming districts used for Form B analysis. These districts are defined in

the mimeographed sheets before you entitled "Form A or B: Consuming districts of the United States."

I should say that these districts were not devised by us, but were taken from a report of the National Recovery Administration on the operation of the basing-point system in the iron and steel industry, November 30, 1934, in which they had been developed for purposes of that study in cooperation with the Code Authority of the American Iron and Steel Institute.

Acting Chairman KING. Had there been any departures from the situation revealed in the documents to which you refer?

Dr. DECHAZEAU. The document at that time did not break down the analysis by products, but covered all products, and, secondly, it did not break it down by producing areas but covered only shipments from the Pittsburgh area, plants within 50 miles of Pittsburgh. It covered the second quarter of 1934.

Acting Chairman KING. Do you think a document of the vintage of 1933—

Dr. DECHAZEAU (interposing). 1934, second quarter.

Acting Chairman KING. Of 1934 would be a fair standard for now?

Dr. DECHAZEAU. If the analysis in 1934 had enabled one to compare producing areas, and if it had broken down individual products, then I should agree with you that there would be no point in getting a more recent record, except of course, that there has been a change in the basing-point structure of considerable magnitude, namely, in June 1938.

Mr. O'CONNELL. With reference to 1934 you referred only to the breaking down of the districts?

Dr. DECHAZEAU. That's right.

Mr. O'CONNELL. You are not introducing anything that has to do with that?

Dr. DECHAZEAU. Nothing of that sort. I understood the Senator to question why we should make another analysis in view of the fact that that study had been made. My answer was responsive to such a question. All we took from that study was the delineation of consuming districts. These were defined in terms of counties.

Acting Chairman KING. Are the consuming districts the same now?

Dr. DECHAZEAU. The consuming districts which we have used in this analysis are identical with those consuming districts; yes, sir.

Through the courtesy of the United States Steel Corporation, I call your attention to this map, prepared by its staff, in which the consuming districts which transgress State lines are blocked in colors. With the exception of those that are blocked in colors, the consuming districts are states, or, in cases where the consuming districts overlap a State line, the remainder of such States. In the western part of the United States, only California is shown on this map. In the western area separate States were used as consuming districts with the exception of California, which was divided into two areas, northern and southern.

It is of particular interest in connection with this map to note the size of the consuming districts with relation to the location of mills. For example, in the so-called Pittsburgh area, which you will note overlaps certain counties in West Virginia, Ohio, and Maryland, Allegheny County, here, is of course the primary location of steel mills.

But the consuming district is rather broad with relation to such mill location. Confusion, therefore, is likely to occur in analyzing shipments in this area in which you have high concentration of mills.

Mr. WOODEN. Mr. deChazeau, does that map purport to show that no shipments are made outside of the districts that are shown in the respective colors by the mills within those districts?

Dr. DECHAZEAU. No, sir. This map implies nothing about shipments; otherwise I would not use it. It merely indicates visually the various districts which were in fact used in this analysis. In all cases in which color is not blocked in, the consuming districts are bounded, by State lines, such as Massachusetts, Rhode Island, Vermont, New Hampshire.

Acting Chairman KING. Well, of course that color map represents consuming districts as well as producing districts, as I understand you, at least some of the consuming districts—

Dr. DECHAZEAU. (interposing). For purposes of this analysis we considered consuming districts or combinations of consuming districts as producing areas, since it was not practical to take individual mills.

Mr. REYNDERS. I don't think we understand the significance of the particular areas. Perhaps you will explain that a little bit so we will understand what it is all about.

Dr. DECHAZEAU. I am not sure that I get the import of the question. The basis of the division of the various consuming districts was, of course, their relative importance as consuming areas for steel. This leads, for example, to setting off a district here called Metropolitan New York as contrasted, say, with this district here called Philadelphia. You will find no New Jersey area. These two metropolitan areas absorb the state.

Mr. REYNDERS. Take the area around Chicago. Why do you limit it to that extent, or why don't you go beyond the area that is indicated?

Dr. DECHAZEAU. With the details which were considered by the National Recovery Administration and by the Code Authority in delimiting these districts, I am not familiar. There were two reasons for adopting their district break-down: first, I have faith in those who worked on it, particularly Prof. J. M. Clark of Columbia University; and second, some companies have used these areas for the break-down of their own shipment records. Therefore, if we were to use any definition of areas less than States, these seemed appropriate.

Now one other thing. It is obvious, of course, that markets for steel do not conform necessarily with State lines. Hence areas which extend beyond State lines often give a far better picture of distribution with relation to a given mill or group of mills. On the other hand it is quite clear that, no matter how one breaks down distribution with a single group of districts one cannot delimit the most important market areas for every group of mills and for each product. Selection of districts must be made on an average basis. It must be arbitrary; but it permits a more significant study than state areas alone would provide.

Sixteen companies, the records of which would permit a report by States only—I am still talking about Form A—reported on that basis, and 11 other companies reported by sales districts. All reports were made separately for each plant in each year—1936, 1937, 1938. Minor adjustments made to facilitate reporting need not be discussed at this time.

FORM B QUESTIONNAIRE

Dr. DECHAZEAU. Form B, on the other hand, required an invoice analysis. In addition to tonnage shipped into each consuming district, each reporting company recorded—for shipments into each district—total delivered value, total freight from basing point to destination, total freight paid or allowed from point of shipment to destination, and total extras included in the delivered value.

I should note in passing that such data enable one to compute "phantom freight" as opposed to "freight absorption," that is the freight from the basing point to destination, minus the freight allowed from the mill to destination. It likewise enables one to determine a computed base price—i. e., the delivered value less the freight added from the basing point, less the extras—which, per ton, should be comparable to the published base price. There are other relations that may be worked out.

Separate reports were required for each plant and for each of 10 products as well as for each basing point on which price was computed. To minimize the burden of the work, reporting plants were selected independently for each product on the basis of their location and their importance in terms of capacity. That is, each plant did not report on every one of the 10 selected products for which it had capacity, but only on a selected number for which it was judged especially important. For all 10 products, there were roughly 175 "plant product" reports made by 55 companies in all.

Most of these companies reported on a single product for a single plant. Again, to render the project feasible, a single current month, February 1939, was selected as the period for which reports were required.

Acting Chairman KING. Was there any significance in the selection of those 2 months?

Dr. DECHAZEAU. In the selection of February 1939?

Acting Chairman KING. Yes.

Dr. DECHAZEAU. We wanted a month for which we could expect returns as soon as possible; but the reason for choosing February rather than January was that it is a middle of the quarter month.

These two questionnaires were sent to the industry on December 23, 1938 (Form B), and January 19, 1939 (Form A). The last replies were received by the department during the latter part of August 1939.

February was preferable to January because the probability of shipments at past-quarter prices is reduced. It is not eliminated, but to the extent that it is reduced, the middle of the quarter month would permit less ambiguous conclusions.

Of course, we took a risk that prices might be altered during the month. Fortunately, this did not occur so far as published prices were concerned, or so far as we have been able to check the actual prices published by the companies during that period.

Mr. WOODEN. What proportion of all shipments during the month of February do you think this covers?

Dr. DECHAZEAU. I am going to take that up, Mr. Wooden.

The burden of the task shouldered by reporting companies was great, especially for the large integrated companies, and I want publicly to acknowledge the splendid cooperation evidenced by them.

ANALYSIS OF DISTRIBUTION OF SELECTED STEEL PRODUCTS

Dr. DECHAZEAU. The analysis of these data is not complete. A machine tabulation of both Form A (with the exception of reports by sales districts) and Form B was made to permit an analysis of the data by a series of classifications for each product; for example, by grouped plants in each consuming area, by grouped plants within 25 miles of basing point and within 50 miles of basing point; by grouped plants according to degree of plant integration and company integration; by basing points on which products were priced, and by various other combinations. Because of a grave limitation of staff, it has been possible to complete the analysis for selected classifications of only 6 out of the 10 products reported on Form B. Two of these, sheet and tin-plate bars and cold-rolled sheets, have not been finally checked and therefore are not presented this morning. The distribution of products under Form A (i. e., tonnage distribution in the 3 years 1936-38) has been analyzed only to the extent of providing a check on the representative character of the distribution during the month of February 1939 for the Form B products studied. The presentation this morning therefore is in the nature of an interim report.

The primary object of the Form B study of distribution was to provide a factual answer to many questions which have been raised with regard to the effects of the basing-point system of pricing in the steel industry. From this point of view, it was considered both unnecessary and unwise that the Department of Justice should encroach on that part of the investigation reserved to the Federal Trade Commission, namely, the social or economic desirability of a basing-point system of pricing as contrasted with any other pricing system.

In the construction of tables for summary presentation of results before this committee, therefore, no attempt has been made to delimit the economic market of any mill or group of mills either under a basing-point system of prices or any other pricing system, nor is any judgment implied as to the desirability of any given pricing system. Rather, we have tried to present these data in as many alternative ways as time and staff would permit to the end that they might be most useful for this committee and the various parties in interest in this investigation. Finally, although this study provides a more accurate statistical measure of the relative importance of certain contentions with respect to pricing practices of the steel industry under the basing-point system, the underlying conditions in the industry are so complex that it cannot be considered definitive. In fact, I doubt whether one could ever arrive at a definitive conclusion in the statistical sense.

Acting Chairman KING. Permit an inquiry: In your study for the presentation data, did you have before you the investigations which were made and the conclusions reached and the action taken by the government during the N. R. A. period?

Dr. DECHAZEAU. I have made an extended study of those, Senator.

The analysis which I present to you this morning covers four hot-rolled steel products: heavy structural shapes, plates, sheets, and strip. Two heavy steel products, both of primary importance in construction (including shipbuilding) and two light steel products, for which the automobile industry is the most important user, al-

though there are many other uses. This study is incorporated in 18 tables for each product which, I hasten to add, I do not intend to discuss in detail.¹

I call your attention, first, to the table before you entitled "Form B Summary." In this table is shown for each of the 10 products reported on Form B the total tonnage of shipments analyzed. This figure of tonnage shipped is substantially lower than the actual total of each product shipped by reporting companies in the period. F. o. b. mill sales, shipments to plants or warehouses of the same or affiliated companies (including fabricators of the same or affiliated companies), shipments to jobbers' warehouses, and exports were excluded from the detailed analysis of shipments to consuming districts. Some of these, obviously, were not shipped to consuming districts as we have defined them, while others presented complications in the compilation and also in the evaluation of price information which would have confused the other shipments. Shipments in these categories excluded from the distribution analysis are shown separately in table 4a.² In addition to tonnage in this summary table are shown various over-all averages per ton including delivered value, calculated base price, mill net, extras, and freight absorption.

For comparison with computed base prices the published base prices during February 1939 are shown in an accompanying table. Neglecting plates, cold-rolled strip and tin plate for the moment, the over-all computed base price for cold-rolled sheets was slightly over \$5 per ton less than published base price, those for sheet and tin bars and hot-rolled sheets were \$4.62 and \$4.22 below published base price; wire rods and hot-rolled strip were \$3.63 and \$3.76 below. All prices are for net tons. Heavy shapes and wire averaged lower by \$1.68 and \$1.46.

The reduction below base of 70 cents for plates is undoubtedly an understatement. From the detail tables, it is clear that some companies must have included floor plates in their reported shipments of plates. Floor plates take a much higher price, \$67 as contrasted with \$42 for regular plates. With cold-rolled strip, a similar error has occurred. That is, commodity strip, a higher priced product (\$62 as contrasted with \$59 for a cold-rolled strip) has been included by some companies. These can be eliminated by going back to individual records, but they have not been eliminated in this over-all presentation. The effect, in cold-rolled strip, is an average computed base price of \$1.18 in excess of published price. With tin plate, the anomaly is only apparent. This product is priced per base box of a given number and dimension of plates. Published base prices are per 100-pound base box while the 95-pound box (a lighter gage product), for which data were requested, takes a negative extra of 10 cents. Thus the equivalent base price of a 95-pound box for comparative purposes would be \$4.90 per box, or \$103.16 per net ton. An apparent excess of 36 cents per ton in the computed over the published base price becomes in fact a reduction of \$2.80 below equivalent base price per ton.

I call attention, especially, to average freight absorption as a percent of delivered value.

Mr. FELLER. May I just see if I get that point made clear to the committee? What you have just been pointing out is the calculation

¹ "Exhibit No. 2197," appendix, pp. 14348-14421.

² Of "Exhibit No. 2197"; appendix, pp. 14421-14423.

which has been made on the basis of the questionnaire by the companies, to indicate the extent to which these products were sold on price which deviated from the published base price.

Dr. DECHAZEAU. That is right.

Mr. FELLER. You have shown that in each of the products listed here the product was sold by the industry generally at less than the published base price. In some places the deviation was large, in some places it was relatively small.

Dr. DECHAZEAU. Yes, with the exception of cold-rolled strip, in which commodity strip is undoubtedly included, and with the apparent exception of tin plate, which is not a true exception because we have taken a 95-pound box rather than a 100-pound box. I should point out that tin plate is sold on the base box, which is defined in terms of a given number of sheets of given dimension. Therefore with changes in the weight you get differentials above or below the published price per 100-pound box.

Acting Chairman KING. There is no uniformity, then, in the size of all the tin plates.

Dr. DECHAZEAU. There is no uniformity in gage (weight per unit of area) and for that reason we took a single category, a 95-pound box after discussion of the matter with the officials of the United States Steel Corporation and Carnegie Illinois Steel Corporation.

Acting Chairman KING. As I understand your testimony with respect to the point that you are now discussing in reply to the question propounded by Mr. Feller, there were deviations from the posted price by the vendors of steel products above and below the posted price.

Dr. DECHAZEAU. The only average deviation above published price which we found in these 10 products is in cold-rolled strip, and in that product we know it to be a fact that, in some cases, commodity strip was unfortunately included. Commodity strip takes a higher base price. That would affect the height of the average computed base price.

Acting Chairman KING. Those departures from the reported price were made by various reporting companies?

Dr. DECHAZEAU. That is right.

Acting Chairman KING. And their prices were not exactly uniform, not uniform?

Dr. DECHAZEAU. That is right. This, Senator, is the over-all average on all shipments priced on basing points between which there was no price differential. One couldn't make an over-all statement of this kind where a differential was involved; rather, one could only after corrections which have not been made here. These averages apply to shipments priced on basing points at which there was no price differential. The computed base price is derived from the delivered value less the freight from basing point to destination less the extras divided by tonnage shipped. One has to deduct the extras, of course, to get a figure comparable to published base price.

Mr. WOODEN. Does not the amount above base price and below base price reflect the range, so to speak, of the mill-net?

Dr. DECHAZEAU. Not directly, Mr. Wooden. Obviously with a range you would get variation in the mill-net. We have shown the mill-net less extras per ton.

Mr. FELLER. Is your question this: Is this figure which we have just been discussing the equivalent of mill-net?

Mr. WOODEN. Does it reflect the range of mill-net above the base price and below?

Dr. DECHAZEAU. No.

Mr. WOODEN. What does it reflect in that regard?

Dr. DECHAZEAU. The computed base price will have no direct relation to the mill-net. To get at the computed base price one deducts from the delivered value the freight from the basing point, whereas to get at the mill-net one deducts from the delivered value the freight allowed or paid from the mill to the destination. They are two quite different figures.

Mr. WOODEN. If more freight is allowed than actually incurred, then the mill-net falls below the base price. Is that right?

Dr. DECHAZEAU. If more freight is allowed?

Mr. WOODEN. Than is actually paid.

Dr. DECHAZEAU. I'm sorry. That would depend upon whether or not there was a differential.

Mr. WOODEN. Yes.

Dr. DECHAZEAU. If there were no differential among basing points, then with freight allowed in excess of freight from basing point you would have a reduction in the mill-net.

Mr. WOODEN. If the freight charged is less than the actual freight, then the mill-net is less than the base price.

Dr. DECHAZEAU. If I get your question now, you are suggesting that the freight allowed to the customer is less than the actual freight?

Mr. WOODEN. Yes. That decreases the mill-net by that much, doesn't it?

Dr. DECHAZEAU. If such a situation existed that would be true. Generally speaking, the freight allowed is the actual freight from mill to destination, since the freight allowed is in fact paid in that case by the customer to the railroad company.

Mr. WOODEN. I am talking about where the freight figured on the invoice is less than the freight from the basing point, then the mill-net is increased by that much.

Dr. DECHAZEAU. Oh, than the freight from the basing point. That depends upon whether there is a differential or not.

Mr. WOODEN. Assuming there is no differential.

Dr. DECHAZEAU. Assuming there is no differential, then to the extent that the freight allowed from mill to destination is greater than freight from basing point, there is freight absorption. To the extent that it is less there is—

Mr. WOODEN (interposing). I think we understand each other. We may be talking at cross-purposes by using slightly different language, but one is a converse of the other, and that is why I asked my question as to whether the range of mill-net was not reflected by the amount above base price that you speak of here and the amount below.

Dr. DECHAZEAU. No; because you are dealing with more than one phenomenon. For example, if you have a price cut at a given destination, Mr. Wooden, it itself will affect the delivered value and will have nothing to do with the freight from basing point or the freight allowed to destination. Therefore, your mill-net will be reduced in that area when you have phantom freight as well as when you have freight absorption. Now those two are just two different things entirely.

Mr. WOODEN. But you do have phantom freight and freight absorption even though the delivered price is identical, don't you?

Dr. DECHAZEAU. Even though the delivered price is identical from various points?

Mr. WOODEN. Yes.

Dr. DECHAZEAU. Quite right.

Acting Chairman KING. You use the word "differential." That word was employed frequently when we were discussing the situation in Birmingham. Do you use it in the same sense?

Dr. DECHAZEAU. In the same sense; that is, it is a published price at a given basing point which is other than that at the lowest basing point. Today, it would apply primarily to Gulf ports and Pacific ports, since most of the differentials have been eliminated. That isn't entirely true; there are still some differentials in certain products.

I call attention especially to average freight absorption as a percent of delivered value, in this case adjusted for inter-basing-point price differentials. This percentage is, roughly, 1 percent or less for sheet and tin bars, cold-rolled strip, and tin plate. It is approximately 2 to 3 percent for all other products shown; that is, it varies within that range. I have noted percentages on the adjusted basis. When sales are made into areas in which there is a price differential, from the point of view of the mill, the adjusted basis as contrasted with the unadjusted indicates whether the "freight absorption" is real or whether it is nominal (i. e., its effect on the mill net.).

Already submitted for the record is an illustration of the method of adjustment presented by the Steel Corporation, which I refer to merely as an illustration. If, for example, we deal with—

Acting Chairman KING (interposing). You had better identify it if it is in the record.

Dr. DECHAZEAU. It is entitled "Explanation of Unadjusted and Adjusted Freight Absorption."¹ I understand it is in the record. I wish to call your attention merely to the way in which the adjustment is made. If we assume, for example, that the actual freight paid on a shipment to destination—from Chicago, say, into Texas—is \$17.60 and that the freight from the nearest basing point, which is Houston, to this particular destination is \$8.40, that would show on the unadjusted basis, a freight absorption of \$9.20, that is, the difference between these two items.

The basing-point price at Houston, however, is \$49 whereas that at Chicago is \$42, providing a differential of \$7.

Now, from the point of view of the mill, that freight absorption of \$9.20 is a purely nominal matter. The actual adjusted freight absorption is that amount less the basing-point price differential, or \$2.20 per ton. This is what is meant by the adjusted basis.

I want to add that so long as one is dealing with a basing point at which there is no capacity and a price differential exists, or so long as the price differential is purely nominal (i. e., it does not measure a difference in cost), then the comparative advantage of various mills shipping into that area will be indicated correctly either by the adjusted figures or by the unadjusted figures. But from the point of view of a given mill, and particularly if you are relating freight absorption to delivered value, the adjusted figure is the real and the unadjusted is the nominal figure.

Now, this summary, of course—

Mr. FELLER (interposing). Have you concluded the discussion on freight absorption?

¹ "Exhibit No. 1418."

Dr. DECHAZEAU. I have concluded the explanation of the adjusted basis for freight absorption used in this summary.

Mr. FELLER. Well, I just again wanted to summarize. You have been explaining the results which have been obtained to show the importance of freight absorption and the result which you have obtained is that it varies from product to product from about 1 percent of the delivered value to about 3 percent of the delivered value?

Dr. DECHAZEAU. That is right.

Mr. WOODEN. Doctor, what is the reason for comparing the percentage of freight absorption to the delivered value?

Dr. DECHAZEAU. I consider that the significant basis for comparison because the delivered value represents what the buyer pays.

Mr. WOODEN. What is the reason for comparing the extras to the delivered value? Are they not expressed in terms of base price plus or minus?

Dr. DECHAZEAU. Yes. You can compare them in any way you like, but again my reason for comparing them to the delivered value is because that is the price which is paid. You could compare them to the mill net yield if you liked; you could compare them to the published price, although there are some difficulties in that; or you could compare them to delivered value. You can change the percentage depending on what basis you use.

Mr. WOODEN. Ordinarily your percentage would be higher figured on the mill net?

Dr. DECHAZEAU. It would be higher on the published base and it would be still higher on the mill net. That is right.

This summary, of course, is an inadequate basis for the evaluation of the effects of the basing-point system under consideration. The figures in the table do provide an approximation to the order of magnitude of the items considered. As an over-all average, however, they may conceal important disparities among consuming regions and producing areas which are of crucial significance from certain points of view. It is to supply a basis for evaluation of these more detailed questions that the 18 tables on each product have been constructed. May I interpolate at this point that many of these tables are in a fundamental sense not final but working tables. By that I mean that they do not at the moment make a part of a finished memorandum on distribution from which final conclusions have been drawn and policy recommendations made. This work of evaluation in which tables may be derived from these data but not necessarily identical with the tables here used, is a function, undoubtedly, of a final report. Not only staff limitations but also considerations of fairness to the industry have dictated the procedure used here. Obviously, in summarizing these data, unless we present the basic material, the industry would have no way of checking up on the conclusions that we have drawn.

The data presented in the 18 tables submitted on each product¹ give the following information. (I propose merely just to characterize the kind of information.) The first two tables describe the basing-point structure, the changes in price and in number of basing points that took place in June 1938, and the location of plant capacity, according to the 1938 Iron and Steel Works Directory of the United States and Canada, with respect to such basing points.

¹ "Exhibit No. 2197."

The second group of tables (3 through 7, inclusive) is concerned primarily with the stability of geographic distribution of products and the representative character of the actual distribution analyzed in February 1939.

The third group (tables 8 through 11 and table 13) analyzes in detail the shipments made to all areas receiving 2 percent or more of the total shipments in the period. Shipments from grouped plants in producing areas are analyzed in terms of the extent to which they supplied the receipts of consuming areas into which they shipped at the lowest average freight absorption for any producing area. In other words, the ability to reach a consuming area with a lower freight absorption per ton than any other producing area has been employed as a criterion of the so-called natural market of that producing area. Computed base prices on shipments of each producing area into each consuming area according to the basing point on which they were priced are also compared with the published base price in order to give a very rough measure of the extent to which the basing-point formula of pricing was observed. This measure was likewise applied to total shipments, irrespective of source, priced on each basing point. Finally, the extent to which each producing area supplied the requirements of its own immediate consuming district (identical with the producing area in most cases), was analyzed.

Four possible ways of delimiting the "natural" market of each producing area were analyzed in tables 12 and 14 through 16. The four measures applied to all sales of each producing area—shipped into all consuming districts in this case; not merely the most important, but all consuming districts—were respectively: 1, shipments priced on the nearest basing point; 2, shipments into areas in which average freight absorption per ton was equal to or less than that on all shipments by that producing area priced on the nearest basing point; 3 is identical with 2 except that we have used as the criterion the average mill net on such shipments and finally, 4, shipments to areas in which the average freight paid or allowed from a given producing area was lower than that from all other producing areas.

Tables 17 and 18 merely list all instances in which shipments reported as priced on a given basing point were shipped into areas which could not have been "governed" by the basing point reported (in terms of published freight schedules and basing-point prices). These tables list all out-of-line results for which there may be many possible explanations, some of which I have indicated on the supplement to those tables. All instances in which computed base prices were in excess of published base prices are likewise listed.

To permit a ready comparison of results obtained for these four products, a table has been prepared which contrasts in parallel columns the data and computations from the data for each. This is the large table which you have before you.

Acting Chairman KING. That is the summary of analysis of Form B, distribution of selected steel products, February 1939?

Dr. DECHAZEAU. That is right, sir.

Acting Chairman KING. That is the document to which you are now referring?

Dr. DECHAZEAU. Yes, sir.

Acting Chairman KING. Has it been identified?

Mr. FELLER. It has been admitted.

Dr. DECHAZEAU. It is meant to be no more than an aid for the study of the more detailed tables and is entitled, as the Senator just noted, "Summary of Analysis of Form B Distribution of Selected Steel Products, February 1939." The comparisons are segregated in eight groups, identified A to H, inclusive, in conformity with the classification just discussed.

To discuss the preliminary conclusions reached, together with supporting evidence and limitations would be an imposition on the courtesy of the members of this committee, since it would take a very extended period of time. To indicate no conclusions would be unfair to ourselves and to others who are interested in this analysis. Subject, therefore, to limitations with the detail of which I shall not burden the committee at this time, I will venture nine generalizations.

1. With the change in the basing-point structure in June 1938, it may be said that, for these four products, basing points, generally speaking, are well adapted to the location of capacity in the industry, especially so for shapes and plates, less so for sheets and strips. Located at base or within 25 miles of base is capacity varying from 58 percent for sheets to 85 percent for shapes; within 50 miles, from 78 percent for sheets to 96 percent for shapes.

2. The geographical distribution of the products in February 1939, may be considered fairly typical for the industry as indicated by similar distribution during the calendar years 1936, 1937, and 1938. Total shipments of reporting plants in that month varied in general conformity with their relative capacities for the product in question.

3. Out of the 64 consuming districts, those receiving 2 percent or more of total shipments varied from 12 for strip to 18 for plates but accounted for from 66 percent of all shipments in the case of shapes to 89 percent in strip. This shows not only a concentration of shipments but justified the use of such selected areas for more detailed analysis.

4. Producing areas for which shipments to selected consuming districts averaged the lowest freight absorption per ton accounted for a substantial proportion of the total receipts of those consuming districts, 62 and 50 percent for shapes and plates, but only 34 and 41 percent for sheets and strips at an adjusted freight absorption varying from 14 cents per ton for plates to a "phantom" freight of 92 cents for strip. "Phantom" freight appears when the freight from basing point to destination is greater than the freight allowed from mill to destination. The percentage of the market thus served is probably understated, because of the large size of consuming districts with reference to the location of mills and the small volume of shipments by some of the producing areas showing lowest freight absorption. What I have in mind is this: A given plant or plant group, over a part of the consuming area may have an apparent advantage in freight absorption which would disappear if it tried to serve the entire area. Therefore, the 62 to 34 percent estimated percentage participation of "governing" mills in such markets is on the low side.

5. A comparison of computed base prices with published base prices indicates that, notwithstanding possible error in the averages, the basing-point formula of pricing was honored more in the breach than in the observance during the period.

- (a) Price cutting, thus revealed, appeared to be more prevalent and more drastic in sheets and strips than in plates and shapes, perhaps

partly because of uncompleted contracts for the former made when prices were slashed for a short time during the fall of 1938.

Acting Chairman KING. When you say "price cutting" you mean departures from the posted prices?

Dr. DECHAZEAU. Departures from the posted prices; yes, sir.

Mr. WOODEN. That completion of unfinished orders, you wouldn't call that price cutting, would you? That would be simply carrying out of contracts made at another level of prices?

Dr. DECHAZEAU. That is quite right. That is why I inserted the qualification. To the extent that there were shipments on contracts which overlapped the previous quarter and which were made at a price quoted during the price cut, such shipments would tend to reduce the computed base price during the sample period.

(b) Especially noteworthy for shapes and plates was a tendency for the home plants in important producing areas to be responsible for the lowest computed base prices in their own areas, even when they did not cut prices drastically in each other's areas. Again I wish to state that by "cut prices" I mean computed base prices lower than published base price. Examples are Chicago, Pittsburgh, eastern Pennsylvania for shapes.

FABRICATION-IN-TRANSIT RATES AND PRICE CUTTING

Dr. DECHAZEAU. The explanation of this phenomenon, I believe is probably to be found in part in the fabrication-in-transit rate structure applicable to these structural materials. These so-called f-i-t rates on structural products permit steel to move out of line, from the steel plant to the fabricator's shop and, as fabricated material, to final destination, at the through rate from the steel mill to final destination, plus a slight charge for stop-over which varies among freight areas and railroads but is about 3 cents per hundredweight. That is on the order of 60 cents per net ton.

Acting Chairman KING. If you will pardon me for interrupting—

Dr. DECHAZEAU. Yes, sir.

Acting Chairman KING. The rise and fall in our business barometer, if I may use that expression, is not uniform. That is to say, there may be great activity in certain manufacturing lines and domestic undertakings in certain sections of the United States, whereas in other sections of the United States there may be but little activity. In other words, business is spotted.

Now with those variations resulting from causes which it isn't necessary to inquire about now, it would seem to me—and I am asking your opinion—that that would necessitate or, at any rate, result in considerable variations in prices, whether posted or not—variations much to the disadvantage of the company, sometimes to its advantage, much to the advantage of the consumer, and at other times of disadvantage to the consumer. In other words, you can't apply a rule, can you, or a formula which determines exactly the price of a commodity at all times in all parts of the United States?

Dr. DECHAZEAU. I should agree with you, Senator. Perhaps you misunderstand the implication of the presentation here.

Acting Chairman KING. Oh, no; perhaps what I inquired about was not germane to your presentation, which I am listening to with

a good deal of interest. But as a sort of practical matter it occurred to me to ask that question now.

Dr. DECHAZEAU. It did not surprise me——

Acting Chairman KING. I beg your pardon.

Dr. DECHAZEAU. It did not surprise me to find this variation in computed base prices with relation to published base prices. It was somewhat surprising for me, and it might be for others, to find that the computed base price for a mill, say, in Chicago, on sales in its own (i. e., Chicago) area was lower than that for any other producing area selling in the Chicago area. Again, for example in eastern Pennsylvania, the computed base price for shipments into that area was lowest for the home plants, the plants located in that area and quoting on their nearest basing point. The computed base price was lower for those home plants quoting on their nearest basing point than for their quotations on any other base and it was also lower than those for any other plants shipping into the Eastern Pennsylvania market. It is that phenomenon which I think requires some additional explanation. The fabrication-in-transit rate structure is a possible, or partial source of price cutting in one's own immediate market. In shapes, for example, it was particularly interesting that Chicago was responsible for the low quotation in the Chicago area, Pittsburgh was second lowest in the Pittsburgh area, North Ohio being lowest. But these two latter areas are, as you can see, contiguous.

Despite that fact, on all shipments made by Pittsburgh into Chicago, the computed base price was considerably higher than that of other mills in the market, and vice versa for Chicago shipments into Pittsburgh. It is that phenomenon which calls for some explanation.

Mr. WOODEN. There were shipments by Chicago mills into Pittsburgh of the same products and shipments by Pittsburgh mills of the same products into Chicago?

Dr. DECHAZEAU. Yes, sir.

Mr. WOODEN. To what extent did that occur?

Dr. DECHAZEAU. Of course it varies with products. It was not very important, but the interesting thing to me was that the computed base price in those instances was not lower than the computed base price on shipments from other areas or even on shipments from the home producing area.

Incoming waybills (i. e., waybills on the shipment from mill to fabricating plant) may be accumulated by the fabricating plant and used on outgoing shipments of equal tonnage which permit the greatest saving to the fabricator. So long as foreign mills are willing to quote him, therefore, it is profitable for the fabricator to purchase his steel from the foreign rather than from the home mill. For example, through the application of incoming way-bills on shipments to particular areas, the fabricator may save up to five or six dollars a ton. Obviously the saving depends entirely on the destination, on the freight rate structure, and on the source of supply; but the advantage (for purposes of f-i-t) in buying from a contiguous mill is very small.

The price to the fabricator at his plant is the same from both mills. But if he is at Neville Island, say (within the switching limits of Pittsburgh), and he buys from a Pittsburgh plant, there is no advantage in f-i-t. The maximum difference between the through rate from the Pittsburgh mill to destination of the fabricated material and the sum

of the two local rates is not more than a few cents. However, if he can get his steel from Chicago in shipments to certain destinations the difference will be substantial and effects a reduction in the cost of steel to him at ultimate destination. The saving varies up to about five or six dollars a ton. I don't assume that is the average; the average is likely to be considerably less. Thus, if the home mill is to retain its business, it must cut the price to compensate the fabricator for foregoing his f-i-t privilege.

This explanation is consistent with the small proportion of the total receipts of the home consuming district supplied by the local plants in plates and shapes (roughly 49 percent for each) as contrasted with the high proportion supplied in sheets and strip (82 and 78 percent). On the latter there are no fabrication-in-transit rates.

6. Using shipments priced on the nearest basing point as a criterion of natural market, then for strips, sheets, and plates slightly more than 50 percent of receipts in those markets were supplied by the "governing" producing area. Over two-thirds of this market was supplied by "governing" producing areas in the case of shapes. The advantage in mill-net yield for producing areas on sales within this market as contrasted with outside sales averaged \$1.57 per ton for strip and around \$2.00 for the other three products. The advantage in average freight absorption on shipments to the former areas was substantially higher than that in mill-nets for every product. This fact indicates relatively greater price cutting in the home market by home mills than in outside markets.

7. Using average freight absorption on shipments priced on the nearest basing point by each producing area as a criterion of its market, then roughly 27 percent of shipments of shapes and plates by producing areas were made into their markets so defined; 34 percent of sheet and only 14 percent of strip shipments. But it is interesting to observe that many of the most important producing areas are excluded entirely from their home consuming areas on such a criterion. That is, freight absorption on shipments by such producing areas into their home consuming areas was greater than the average on all sales.

One reason for that is, of course, shipping across the basing point within one's own area. If the area is large, one may expect a fairly high proportion of such sales.

8. Using average mill-nets received on sales priced on the nearest basing point as a criterion, the percentage of total shipments by producing areas shipped into their markets, so defined, is increased substantially for all products except sheets. That is, for shapes it becomes 33 percent, plates 49 percent, sheets 36 percent, and strip 34 percent. Average advantage in mill-net to producing areas selling within rather than outside this market ranges from roughly \$2.50 for strip to \$3.66 for sheets.

9. Using the lowest average freight paid or allowed from steel plant to destination as the criterion of the natural market, producing areas sold 58 percent of their total shipments of shapes into such markets, 67 percent of their plates, 43 percent of their sheets, and 44 percent of their strip. This measure of market area conforms most closely, although very crudely, to that defined in terms of an f. o. b. mill price, if such mill prices were equal for all mills.

It is interesting to note that if all shipments received by consuming districts in each such market, irrespective of source, were in fact sup-

plied by the governing producing area (i. e., that producing area closest freight-wise), some of the most important producing areas could not have confined themselves to that market without drastically curtailing their total shipments. For example, such markets would have provided an outlet in shapes for only 23 percent of shipments made by Buffalo; 41 percent of those by Colorado; 62 percent for Pittsburgh-North Ohio River Plants; 94 percent for Chicago. In plates, a larger producing area had to be employed (e. g., Pittsburgh, Youngstown, North Ohio River plants were grouped). For the group, the percentage was 61 percent; for Birmingham 63 percent. Producing areas not mentioned were areas for which the total requirements of consuming districts "governed" were equal to or greater than total shipments actually made by such producing areas. In sheets, Pittsburgh-Youngstown-North Ohio River plants could have shipped only 14 percent of their actual shipments; Middletown-Newport-Ashland, 77 percent; Chicago, 79 percent; Buffalo, 85 percent. In strip, Pittsburgh-Youngstown-North Ohio River, 30 percent; St. Louis, 68 percent; Chicago, 82 percent.

In presenting these percentages I emphasize that the ability or the inability of mills in a given producing area to market their output in areas most cheaply reached in terms of freight costs constitutes, by itself, an argument neither for nor against a basing point system of pricing or any other pricing system. What I have presented here, within the limits of the type of data available, is a market fact. As such, it must be reckoned with. Given the actual location of mills with respect to areas of important consumption, some mills and groups of mills must seek business farther afield than lowest transportation costs permit. This situation may be consistent with maximum efficiency and lowest over-all cost, or it may represent a fundamental maladjustment of capacity. The judgment must rest on other evidence, and that is, as I see it, a problem for the Federal Trade Commission hearings.

Mr. WOODEN. Do I understand, Dr. deChazeau, that you think your presentation on the facts outlined by you does not tend either to establish or to disestablish the desirability of the so-called basing point system?

(Mr. O'Connell assumed the Chair.)

Dr. DECHAZEAU. That is my statement. I have attempted to give in terms of relative magnitudes some answer to questions with regard to freight absorption, to mill nets and to price cutting. I have indicated the extent to which producing areas do or may supply—and still maintain their shipments—the requirements of certain areas or certain markets defined in different ways.

I do not say, and I certainly am not to be understood to imply, that these data are irrelevant to the issue. I consider them very vital to the question. My contention is that they constitute market facts, and before reaching a final judgment as to the economic or social desirability of the basing point system, other considerations must be taken into account.

Mr. WOODEN. Do you mean that this freight absorption and phantom freight, so-called, are market facts just like the basing-point system itself may be a market fact?

Dr. DECHAZEAU. They are facts in the actual market; yes, sir.

Mr. WOODEN. And assuming the existence and continuance of the basing point system, these market facts that you referred to should be taken into account?

Dr. DECHAZEAU. Most certainly.

Mr. WOODEN. Would you say that the amount of freight absorbed represents the amount that the shipper is willing to take less than the base price?

Dr. DECHAZEAU. Under the conditions which exist at that particular moment for that particular shipment.

Mr. WOODEN. That's right; that is what I mean.

Dr. DECHAZEAU. Yes, quite right; otherwise, he would not do it.

Mr. WOODEN. And on the other hand, would you also say—

Dr. DECHAZEAU (interposing). Pardon me, but may I make just one qualification to that? Business is not usually conducted one little job at a time. One has customers and those customers take a variety of products. For that reason, a mill might at a given time take a loss on a particular shipment which it would not take if that were a new customer, but being a good customer and a continuing customer, certain losses are taken in that way.

Mr. WOODEN. Would you also say that the amount of phantom freight, so-called, would represent how much more than the base price the shipper can get in a particular—

Dr. DECHAZEAU (interposing). Given a particular pricing situation, it does not represent how much more he can get because it does not determine his mill net. It represents the extent to which the actual transportation costs are lower than the transportation costs from the basing point to destination.

Mr. WOODEN. He gets an increase—

Dr. DECHAZEAU (interposing). My reason for saying that—may I add, if you will pardon me?—is that, as I pointed out before, what he gets (his mill net), is primarily determined by the delivered price if there is price cutting. Now, if you ask your question on the assumption that the basing-point formula is always followed by all mills, I could give you a definite answer, and it would be "Yes."

Mr. WOODEN. Well, assume that it is followed in some particular case, the answer would be "Yes"?

Dr. DECHAZEAU. My answer would be "Yes."

Mr. WOODEN. I see. If freight absorption, then, represents how much less than the base price the shipper is willing to take in his mill net, and the phantom freight, so-called, represents how much more than the base price, which, in other cases, he can get, why isn't the logical thing to do to figure the percentage on both those items against the base price rather than against the delivered price?

Dr. DECHAZEAU. It depends entirely on what you want to do. In the first place, I should say that you have set up a situation which is significant only so long as the basing-point formula is in fact followed. The result of our analysis is, that it is honored in the breach. I should say, for that reason, that that sort of computation would be of academic interest only.

Mr. WOODEN. Well, every system is departed from at times, I take it?

Dr. DECHAZEAU. I beg you pardon?

Mr. WOODEN. Are we considering a system as a system or the extent and nature of departures from it?

Dr. DECHAZEAU. We were concerned not with the system as a theoretical system, but with the system as an operating system.

Mr. WOODEN. As for the month of February, 1939?

Dr. DECHAZEAU. That is right. Of course, you realize yourself that our first objective was to have not a single month, on which I recognize limitations, but a month in a quarter of very high production in the industry, prior to the basing-point change, namely, May, 1937, and a month during a period in which there was very low utilization, and therefore possibly much greater price-cutting, namely, May, 1938. It was only the large amount of work involved that—

Mr. WOODEN (interposing). I may have overlooked it in your statement, but I still do not have any idea of what percentage of all shipments made during February, 1939, is represented by your tabulations.

Dr. DECHAZEAU. You mean made by all mills?

Mr. WOODEN. Made even by the mills that are excluded in your survey. What percentage of all shipments during that month?

Mr. FELLER. All shipments of all steel products?

Mr. WOODEN. Yes; and what percentage of all shipments for these particular products?

Dr. DECHAZEAU. Well, that would have to be answered for each product separately. In tables 4 and 4-A for each product,¹ you will find figures which provide an answer to your question. For example, I am looking at tables 4 for shapes. The total tonnage shipped (i. e., analyzed by us), which represents, with the exception of f. o. b. mill sales, exports, shipments to plants of the same or affiliated companies (which are often merely changes in inventories), and shipments to jobbers' warehouses, all of the shipments distributed by the sample group of companies, was 79,921 tons, as contrasted with aggregate shipments of 144,184 tons.

Mr. WOODEN. And do those represent shipments into all territories or shipments only into these districts that you have outlined?

Dr. DECHAZEAU. The 144,184 tons is the total shipment of heavy shapes by all reporting plants to any place in the world.

Mr. WOODEN. And your 79,000 is into these districts only, is that right?

Mr. FELLER. No; I think there may be some misunderstanding here.

Mr. WOODEN. Well, I just want to clear it up.

Mr. FELLER. The districts include the entire continental United States. Those colored districts on that chart are merely those districts which are smaller than a State. All other points of the United States were included within a State. Now the reason for the difference between the 79,000 tons, which is the amount of shipments included in this analysis, and the 140,000 tons, which was the total shipment, was this, that there was excluded from this analysis exports, f. o. b. sales, their f. o. b. mill sales, of which there may be some, and shipments to jobbers' warehouses.

Now, all those types of sales, like exports, shipments to jobbers' warehouses, are sales which are not made on any basing—

Dr. DECHAZEAU (interposing). I think I can give you that.

¹ Appendix, pp. 14349, 14365, 14386, 14406, 14421-14423.

Mr. FELLER. They are out of the basing-point system. Therefore, in shapes, all those—

Dr. DECHAZEAU (interposing). No; that isn't entirely so. I give you actual totals for shapes in table 4-A.² Our domestic shipments to consuming districts which were analyzed, is 79,921, about 80,000. F. o. b. mill sales were 3,702. Clearly, those may be distributed but they are sold f. o. b. mills. Shipments to plants or warehouses of the same or affiliated companies are 49,346. That is the largest item. Shipments to jobbers' warehouses are 5,030—giving total domestic shipments of 137,999, plus exports of 6,185, which gives you your total figure.

Now, you understand, I am sure, that in excluding shipments to plants or warehouses of the same or affiliated companies, we were primarily interested in making our results meaningful. Those shipments, if included, would so increase our tonnage—often they are mere inventory transfers—that they would be meaningless from a price basis. Therefore our computations as to computed base price would be completely thrown out, and utterly valueless.

The same considerations or similar considerations led us to exclude shipments to jobbers' warehouses, since often there are special jobber discounts which, if excluded, would again make our figures less significant when reduced to a tonnage basis.

Mr. WOODEN. Do you understand that shipments to jobbers' warehouses are not figured on a basing point?

Dr. DECHAZEAU. They are figured on a basing point so far as I know, but in addition to the regular extras, there are special jobbers' discounts.

The jobber item is a relatively small item in all these products. It would be especially small in shapes, as contrasted with other products. I believe that the real answer to the point which you have raised, Mr. Wooden, is provided by comparison of total shipments by area on our Form A analysis for these products, in which many of these items were included, with our Form B distribution. Making that comparison, we find that we can use the February '39 figures as quite typical; that is, with very few exceptions the percentage distribution in February '39 falls within the range of the distribution over the 3 years on the Form A sample. Since there is great stability in the relative distribution on Form A, we can conclude that the February distribution is not atypical.

Mr. WOODEN. What inferences would you draw from the fact that on some shipments there are certain amounts of so-called phantom freight and on other shipments there are certain amounts of so-called freight absorption, by the same shipper?

Dr. DECHAZEAU. What inference would I draw?

Mr. WOODEN. Yes. In other words, what is the significance of there being phantom freight consisting of a difference above the base price and freight absorption consisting of a difference below the base price? What is the significance of it?

Dr. DECHAZEAU. For one thing, it represents the direction in which the shipment moves with relation to the location of the mill and the basing point. I take it that isn't the answer that you want. What you want me to discuss is what conditions lead a mill to make a variable price on its products.

² Appendix, p. 14421.

Mr. WOODEN. You mean a variable mill-net.

Dr. DECHAZEAU. A variable mill-net.

Mr. WOODEN. Yes; that is what I meant to ask.

Dr. DECHAZEAU. In a general way I think I can answer that without getting too far into the subject matter, as I understand it, of your own hearing; and I have tried to avoid that. In the production of steel, unlike the production of certain agricultural products, one produces to order, and, therefore, the additional cost involved for an additional shipment of a particular specification under a given set of conditions will differ, depending upon the level of output at that time. Hence, the variations in the mill-net with relation to that variable cost may make profitable a given shipment—by profitable, I don't mean a return on total investment, but a return in excess of the variable cost—which would not be profitable for the entire business. I have already indicated another source of such variation in mill-net; namely, that business is not carried on from moment to moment but from year to year and over a period of years. Therefore, one meets the requirements of a given customer for a particular product, even at a disadvantage to oneself, rather than to incur ill will and lose business.

Mr. WOODEN. Assuming that the basing point system is in operation, wouldn't you expect to find these phenomena of so-called phantom freight and so-called freight absorption?

Dr. DECHAZEAU. Now you are asking a question which I can answer very briefly. To the extent that the basing-point system exists, some "phantom" freight, (that is variation of the mill-net) is a necessary condition of the operation of that system as a formula.

Mr. WOODEN. Both freight absorption and phantom freight.

Dr. DECHAZEAU. That is right. Mill-net will vary and one may have freight absorption.

Mr. WOODEN. Was the participation of the Federal Trade Commission in this study anything more than cooperation with regard to the form of the questionnaires to be sent out?

Dr. DECHAZEAU. Well, in that I hope I have not given the Federal Trade Commission too little credit. The whole project was discussed with the Federal Trade Commission. I may say that the Federal Trade Commission was primarily interested in the Form A distribution and the Department of Justice was primarily interested in the Form B distribution.

Mr. WOODEN. Did the Commission do anything more than cooperate with the preparation of forms of the questionnaire?

Dr. DECHAZEAU. That is right. The analysis has been entirely by the Department, which has handled all phases.

Acting Chairman O'CONNELL. Are there other questions?

Thank you very much, Dr. deChazeau. I think your presentation has been very, very interesting.

The committee will recess until 2 o'clock.

(Whereupon, at 12:15 p. m., the committee recessed until 2 p. m. of the same day.)

AFTER RECESS

The committee resumed at 2:05 p. m. on the expiration of the recess.

Acting Chairman McCONNELL. Dr. Yntema, are you ready?

The committee will please be in order.

Mr. FELLER. Mr. Chairman, may I just say that the program is for Dr. Yntema to make a brief statement with relation to Dr. Ezekiel's testimony of the other day, and Dr. Ezekiel may desire to reply briefly to that.

Subsequent to that, I shall turn the counsel's chair over to Mr. Ballinger, who shall proceed with the basing point inquiry.

Acting Chairman O'CONNELL. Will you proceed, please?

TESTIMONY BY DR. THEODORE OTTE YNTEMA, UNIVERSITY OF CHICAGO, CHICAGO, ILL.—Resumed

RELATIONSHIP BETWEEN STEEL PRICES AND PRODUCTION AND GENERAL INDUSTRIAL ACTIVITY

Dr. YNTEMA. In his testimony before this committee on January 24, Dr. Ezekiel undertook to evaluate the effects of a reduction in steel prices upon the general level of business activity and also upon the cost of producing steel. He then attempted to show the possibilities of concerted price reductions by many industries.

In an effort to estimate the effect of a reduction in the price of steel upon general industrial activity, Dr. Ezekiel argued that any increase in the production of steel resulting from such price reduction must be paralleled by a general rise in business activity.

To make his point, he presented this chart, "Exhibit No. 2183,"¹ showing that there has in the past been a very close relation between fluctuations in steel production, industrial steel shipments, and industrial production excluding iron and steel. In fact he said that this chart "shows how absurd it is to assume that steel output could change without a corresponding change in the level of industrial activities as a whole." From this, if I understood him correctly, he inferred that the effect of steel prices on steel consumption would spread out to cause a corresponding increase in other industrial activity, and argued that this general increase in business activity would in turn further increase the demand for steel. I submit that this is erroneous reasoning. In homely but adequate terms I believe it may be described as a case of the tail wagging the dog.

Now there is no question at all that in the past steel production has been very closely related to other industrial activity. That's the relation exhibited in this chart. There have, however, been from year to year small deviations in this average relationship, and in one or two years large deviations. The general relation shown in this chart affords no basis whatsoever for assuming that an increase in domestic steel shipments causes an increase in general industrial activity. When questioned specifically on the point, Dr. Ezekiel recognized that either might be cause and either might be effect.

In his testimony, if I understood him, I think he did make use of an assumed causal relationship of domestic steel shipments upon other business activity.

I submit, however, that there is good reason to suppose that the dog can wag the tail, and that general business activity does determine the amount of steel produced. Furthermore, the effects of changes in the price of steel are reflected in small deviations of steel production

¹ Included in Hearings, Part 26.

from the levels which would normally be associated with given levels of general business activity.

Dr. Ezekiel has failed completely to establish the magnitude of the secondary effects on general business activity, due to reductions in the price of steel. By his confusion of cause and effect he has reached the implausible inference that sales would increase so rapidly that the gross income of steel producers would rise as the price of steel fell or was reduced.

There would, of course, be some secondary effects on general business activity resulting from a reduction in the price of steel. The magnitude of these, however, cannot be estimated from the evidence which Dr. Ezekiel has introduced, and I repeat that I should still be grateful to Dr. Ezekiel or to anyone else who would show me how we might make a reasonable approximation of these secondary effects. We know, however, that in comparison with the direct effect of a reduction in the price of steel on steel production, which is itself not large, that the secondary effects must be still smaller because the steel industry proper constitutes only a small fraction of all business. The total value of its products is only about 4 or 5 percent of the total value of all goods and services produced in boom times and considerably less than that in time of depression.

To establish his second point, that reductions in the price of steel would decrease the cost of producing steel, Dr. Ezekiel attempted to demonstrate that a reduction in the price of steel would cause scrap prices to go down. Observing that in the past scrap prices and steel prices tended to move in the same direction, Dr. Ezekiel concluded therefrom that cheaper steel would mean probably less expensive scrap. Had he considered the matter more carefully I am inclined to think that he would have recognized his mistake.

The significant relationship is that between steel production and scrap prices. When steel production has been high, scrap prices have been high; when steel production has been low, scrap prices have been low. As steel operations rise the demand for scrap rises, but without a corresponding increase in supply the price naturally goes up. Therefore, insofar as a reduction in the price of steel would cause steel operations to rise, it would also cause the price of scrap to rise. This would increase, not reduce, the costs of producing steel. For the short-run period in which we are interested the effects of a reduction in steel prices upon the prices of other commodities in the economic system and ultimately, then, upon the prices of goods and services which the steel industry buys are too small to affect substantially the results of our cost analysis. In fact, they may not even be sufficient to offset the increased cost of scrap. I use, as Dr. Ezekiel has, the words "may" and "might" in this connection, because neither he nor I can predict with accuracy what would happen.

Dr. Ezekiel has, I fear, created a fictitious dilemma by reading into our statements ideas which are not there. While it is true that in the short run the steel industry would sustain a reduction in profits or an increase in losses by reducing its prices and would obtain an increase in profits and a reduction of losses by increasing its prices, within moderate limits, we did not suggest that all industries could make more money by producing less product and selling it at a higher price. If this dilemma has existed in the mind of anyone

besides Dr. Ezekiel, because of preconceptions in approaching the problem or because of our unfortunate terminology, I hope that this statement may dissipate the misapprehension which has existed.

Dr. Ezekiel fails entirely to recognize that individual companies in the steel industry are not able to charge any price which they choose, but are limited by competitive forces in the market. Without recognition of this fact, the low profits in the industry and the evidence submitted in our studies do indeed constitute a real dilemma. With recognition of the facts, the dilemma evaporates.

Finally, Dr. Ezekiel points out that we did not consider in the documents submitted to the committee, the effects of general reductions in the prices of a large range of commodities. As I said in my first statement to the committee, we undertook seriously to study this problem but we were unable to reach conclusions of sufficient scientific value to warrant a presentation of them before this committee. I might say that we abandoned our plans to submit a statement on this subject only after consultation with economists whom we considered to be among those best qualified to deal adequately with the subject.

At the conclusion of his statement, Dr. Ezekiel presented his plan for concerted action to reduce prices in a large number of industries. I have already said that I do not feel competent, and I have not been able to find anyone else whom I regard as competent, to evaluate with reasonable certainty the economic consequences of such a program. That, of course, is a personal opinion and I offer it as such.

I doubt that we possess, much less would use the collective wisdom necessary to decide when, where, and how to reduce prices. The complexities of the administrative problems which would be involved in such a plan are almost beyond comprehension. Nor is it realistic to assume that a great number of business enterprises would voluntarily engage upon a concerted program of price reduction. Even though such a plan might have desirable economic effects, if it would work, I am inclined to think that it is not only administratively unworkable, but fraught with grave social and political consequences, to our democratic way of life.

Before I leave the stand, I want to express my thanks for the courtesy which has been extended to me by Dr. Kreps and by the committee.

(Senator King assumed the Chair.)

Acting Chairman KING. Do I understand your statement which you made just a moment ago, that you are rather apprehensive, and I know I am, of trying to repeal the law of supply and demand, and to set up a sort of super-government in industry to fix prices and to regulate production? I don't want a totalitarian state, I don't want to superimpose upon industry and upon the American people any form of Federal control which would interfere with private initiative and with those fine qualities which have made this the greatest country in the world.

Proceed.

Mr. FELLER. I should like to ask you just one question. Assuming that it were found that in a number of important industries, there were artificial restraints on competition which, while not entirely eliminating competition, had the effect of diminishing its area, and thereby sustaining the price above the level that it would reach in the event

that competition could be restored to the fullest extent consistent with the structure of the industry, do you think that the removal by action under the antitrust laws, simultaneous removal, of such artificial restraint, would have the effect of increasing production through a decrease in price?

Dr. YNTEMA. Well, Mr. Feller, that is a very general question and a very large question. I am no lawyer; I have not had experience with the antitrust laws. I should, after some study, be willing to comment on some particular situation, but I am very hesitant to generalize on subjects as diverse as those to which you refer.

Mr. FELLER. I should just like to make the purport of my question clear, although perhaps your answer is sufficient. Dr. Ezekiel advocated the plan which is chiefly associated with the name of Dr. Owen W. Sprague, of concerted action by industries to reduce prices. You are apprehensive, as a good many people are, of the effects that that sort of concert might have on the democratic system.

Now, assuming that the same effect could be achieved, not through this concerted action by industry, but through enforcement of the antitrust laws, you would have presented squarely the problem which both Dr. Ezekiel and Dr. Sprague raise, namely, whether simultaneous reduction in price, assuming it could be brought about by the enforcement of the antitrust laws, would have such an effect on volume that it would result in greater profits for industry.

Dr. YNTEMA. I don't believe economists are able to give a conclusive answer to that question.

Mr. FELLER. Again, my question was somewhat narrowing. I take it there are two parts to the problem. The first part is, can we bring about simultaneous reductions in price? The second is, assuming that you did have a simultaneous reduction in price, would it have this important economic effect that both Dr. Ezekiel and Dr. Sprague claim for it?

Dr. YNTEMA. That's correct; there are these two aspects to the problem.

Mr. FELLER. It seemed to me that you had answered by casting doubt on the feasibility of the first part.

Dr. YNTEMA. No; I don't think that you got the full import of the statement I made earlier and the statement I have just made. I said that we recognized that problem and that we have attempted seriously to study it. There is in this problem a sufficient area of difference of opinion so that we at least have not been able to reach conclusions which we think can be established with satisfactory validity. As a matter of fact, if you want my personal opinion I am quite willing to offer it. I don't think that we can eliminate business cycles through flexibility in prices. Now there are situations, I have no doubt, in which we should improve our economic situation through price reductions. I don't think anyone would deny that.

Finally, may I say that I greatly appreciate the criticisms and the suggestions we have received, and particularly the opportunity for open discussion of these studies which has been afforded us by the committee.

Acting Chairman KING. I think the committee is indebted to you for a very clear exposition of the views that you entertain and the views of the organization for whom you have testified.

Mr. FELLER. Dr. Ezekiel would like to make a brief comment.

**TESTIMONY OF DR. MORDECAI EZEKIEL, ECONOMIC ADVISER
TO THE SECRETARY, DEPARTMENT OF AGRICULTURE, WASH-
INGTON, D. C.—Resumed**

Dr. EZEKIEL. If the committee is willing, I would like to refer just very briefly to two or three of the points Dr. Yntema has just discussed.

First, in presenting the statistical evidence which I did in the chart that Dr. Yntema has already called your attention to, "Exhibit No. 2183," I made no attempt to measure how much increase in general industrial production could be expected to follow a given increase in steel production. I merely pointed out that if a reduction in steel prices did materially increase the output of steel, it was inconceivable that that would take place in view of the past experience without some corresponding increase in activity through other associated industries, and that if you did have the increase in activity in other associated industries, that would produce a secondary increase in the demand for steel in addition to that for which Dr. Yntema made measurement. I made no attempt to measure how much that increase might be, but simply pointed out that the failure to allow for it left one factor which the analysis presented by Dr. Yntema had failed to take into account.

Likewise, in referring to the relation of steel prices to scrap prices, Dr. Yntema is correct in his criticism in one sense. I used the phrase "steel prices" in my testimony when I should have used the phrase "products of the iron and steel industry." I assumed that a reduction in steel price and a reduction in pig-iron price would occur as part of a general reduction in prices of the products of the industry, both semifinished and finished, and that a reduction in pig-iron price in general was associated with a reduction in scrap prices. Dr. Yntema questioned some of my conclusions at that point, but neither he nor I have made any effort to introduce testimony as to how far changes in steel or in iron prices are associated with scrap prices; without such material we are both rather conjecturing as to the exact relationship.

Acting Chairman KING. In the realm of speculation or conjecture?

Dr. EZEKIEL. Conjecture based on examination of data in both cases, but without an attempt, I believe, to measure the exact nature of the relationship. As far as Dr. Yntema's comments on the general proposal for concerted expansion in production, I take it that he is criticizing more the possibility of bringing such operations into action rather than the economist's view as to whether, if taken, they would work or not. I believe he as an economist would agree that assuming the administrative problems could be solved, a general increase in production and increase in employment secured through reductions in prices, if properly brought about, would aid very greatly in solving the problem of unemployment.

He, several times, has referred to the possibility of eliminating business cycles. My testimony was directed on that point not so much to business cycles but to the fact that we have had heavy unemployment ranging around a quarter of the entire city potential working population, over most of the last decade, and that continuous heavy unemployment is a chronic problem far beyond business cycles, so-called. The price policy of city industry, where organized in large

units, is believed by most economists who have studied that problem to have a great deal to do with the problem of continuing heavy unemployment.

Acting Chairman KING. Thank you very much, Doctor.

Dr. EZEKIEL. Might I make one other comment, sir?

Acting Chairman KING. Certainly.

Dr. EZEKIEL. As a professional student of price statistics and production and price behavior, I would like to express a word of appreciation both to Dr. Yntema and to the Steel Corporation for the material they have made available in these studies. So far as I am aware, it is the most thorough study ever made of the facts pertaining to industrial behavior in a single great industry and will lead, I believe, to a great deal of new information and new light on these problems of industrial price behavior.

Acting Chairman KING. May I ask one question, Doctor? Do you not think that economists, as well as businessmen and all American citizens, in their formulation of plans for development and for industry and for employment, ought to take into account the fact, or recognize the fact, that we have a dual form of government? We are a democracy; we are not in Germany; we are not in Russia; we are, as I have stated, a dual form of government, and there are limitations upon the power of the Federal Government. The Federal Government may not superimpose its power in violation of the written Constitution and of the rights which belong under our written Constitution to individuals as well as to States.

Dr. EZEKIEL. Yes, Senator, I certainly agree that any economic plans should be so constituted as to preserve democracy. In my statement I believe I pointed out how coordination of production could use democratic procedures, and evidenced some illustrations from AAA experience. Might I also say that I also am very much worried about the ability of democratic forms to be maintained if we are to continue to have one-quarter of all our people unable to find means of providing for themselves. I believe that the continuing unsolved problem of work for our people in the cities is also a threat to democracy, and we need very intensive studies as to how that may be solved through democratic procedures.

Acting Chairman KING. Thank you very much. Are you through, Mr. Feller?

Mr. FELLER. I am through with Dr. Ezekiel. I just wanted to make one statement to clarify the record a bit. I made a rather flippant comment yesterday concluding the hearing. I hope no one takes it too seriously. I do want to point out this, that the testimony which the committee has heard the last 3 days constitutes the most important effort to state in measurable terms some of the most difficult problems of industry, the relation between price and volume, concepts of cost; and while it may be that the results at this time seem inconclusive, I am confident that the material here presented will become of increasing importance as time goes on and as more and more students have access to it.

I should like also to state that the area of agreement among the gentlemen who have testified is perhaps larger than the committee has appreciated, and I understand that Dr. Kreps and Dr. Yntema are attempting to work out a statement that they would like to present

for the record at some other time, which will indicate just exactly how far they do disagree and how far they agree. Thank you.

Acting Chairman KING. When they present it we may want to interrogate them.

FEDERAL TRADE COMMISSION'S ANALYSIS OF UNITED STATES STEEL CORPORATION'S REPORT ON THE BASING POINT SYSTEM

Mr. BALLINGER. Mr. Chairman, on March 6, 7, and 8 of 1939, the Federal Trade Commission introduced expert testimony before the Temporary National Economic Committee to show that producers of steel in the United States were operating under a pricing system which we observed eliminates price competition in the steel industry.¹ It was the opinion of the experts who appeared on the Federal Trade Commission program that the steel industry was therefore monopolistic. At the conclusion of the Commission's testimony there was offered for the record a document entitled "Monopoly and Competition in Steel," which described how the basing point system in the steel industry operated to suppress price competition in this industry. Subsequently the United States Steel Corporation asked and obtained leave of the Temporary National Economic Committee to reply to the expert testimony offered by the Federal Trade Commission in March of last year. The Corporation has prepared a document entitled "The Basing Point Method of Quoting Delivered Prices in the Steel Industry, Exhibit No. 1418."² This document has been analyzed by the staff of the Federal Trade Commission. It is now my desire, Mr. Chairman, to have Mr. Walter B. Wooden, Assistant Chief Counsel of the Commission, question some of the parties responsible for the Corporation's document on the conclusions reached therein. Mr. Wooden is one of the veteran experts of the Commission on the basing point system.

Inquiry by the Commission as to the authorship of this document elicited the information from the Corporation that it had been prepared by a great many people, including officials of the Corporation, lawyers, and economists.

For the purpose, therefore, of questioning those responsible for the document, I request that Mr. Wooden be permitted to examine Mr. Fairless, President of the Corporation, and Mr. Adams, Vice President of the United States Steel Corporation of Delaware.

Acting Chairman KING. Proceed. Mr. Adams, you were sworn, weren't you?

Mr. ADAMS. Yes.

Acting Chairman KING. Mr. Fairless was sworn.

¹ See Hearings, Part 5, pp. 1657-1680, 1861-1894, 1903-1946, 1951-1982; "Exhibit No. 358," a Federal Trade Commission report on Monopoly and Competition in Steel, appendix, p. 2192.

² Appendix, p. 14619ff.

TESTIMONY OF BENJAMIN F. FAIRLESS, PRESIDENT UNITED STATES STEEL CORPORATION, NEW YORK CITY—Resumed¹
AND AVERY C. ADAMS, VICE PRESIDENT UNITED STATES STEEL CORPORATION OF DELAWARE, PITTSBURGH, PA.—
Resumed

Mr. WOODEN. Mr. Chairman and members of the committee, in taking up this subject of the basing point system in the steel industry I want the committee to understand that every effort will be made to confine the presentation to tangible, concrete matters of fact, and to avoid, so far as possible, abstruse or abstract criteria and abstruse theoretical considerations. After having gone into the subject from a factual standpoint, however, it will be necessary to pay some attention to the theoretical considerations because the Corporation in submitting its documents on the basing point system has made use of a great many of these theoretical abstractions which we have heard for the last few days.

There are only two fundamental factual issues involved: First, whether the basing point system in the steel industry is the embodiment of some form of collusive methods of price control, and if so what forms and methods; and, secondly, whether the objections to the basing point system are based, as the Corporation contends, upon abstract criteria or whether they are based upon tangible, concrete evidence. Only after that factual exposition has been made will any attempt be made to go into the theoretical side of the subject. The theoretical aspect of the basing point system in the steel industry is likewise two-fold: First, whether the use of that system is consistent with the economic concepts of a competitive economy or conforms to the economic concepts of a monopolistic situation; the second theoretical question is simply whether or not the basing-point system in the steel industry should be permitted to continue as a matter of public interest.

Now, I should like to approach this subject further from a common ground, which the Corporation itself states in one of the exhibits presented, namely, "Exhibit No. 1410," entitled "Some Factors in the Pricing of Steel,"² in which it states: "Price competition is necessary in any industry operating in a capitalistic system. Is the steel industry competitive? Efforts at such determination too easily lead into the realms of economic sophistry. Criticism and defense of competition in the industry should not be based on abstract criteria which fail to take into account the fundamental phenomena involved; it should be based on tangible evidence."

As I say, that is a common ground on which the Corporation and we can approach the subject.

And now I should like to ask some questions of Mr. Fairless.

Mr. FAIRLESS, will you state for the information of the committee, in as few words as possible, just what are the mechanical or physical features of the basing-point system in the steel industry?

Mr. FAIRLESS. Mr. Chairman, I should like all questions that have to do with basing-point matters, particularly as they pertain to the

¹ For Mr. Fairless' previous testimony see Hearings, Parts, 19 and 20.

² Included in Hearings, Part 26, appendix, p. 13893.

study which we have presented to this committee, to be directed to Mr. Adams. In respect to policies and policy questions and matters pertaining to the United States Steel Corporation, I should prefer that those questions be directed to me. At the same time, I offer myself at any time for any question and will attempt, to the best of my limited ability, to answer it.

Mr. WOODEN. Before we go ahead then on that basis, which is at least partially acceptable to me, I should like to ask a few questions about the preparation of the Corporation's pamphlets which are in the record as "Exhibits Nos. 1418 and 1410."¹

You have already stated, I believe, Mr. Fairless, that quite a group of persons worked together on the preparation of those pamphlets?

Mr. FAIRLESS. You are referring now to the basing-point pamphlet, are you, or all the pamphlets?

Mr. WOODEN. No. I am talking only about these two, one, "Exhibit No. 1418", "The Basing-Point Method of Quoting Delivered Prices in the Steel Industry," and, two, "Exhibit No. 1410", "Some Factors in the Pricing of Steel."

Mr. FAIRLESS. You are correct in your statement.

Mr. WOODEN. And this latter pamphlet, "Some Factors in the Pricing of Steel," contains a section on the basing-point system, does it not?

Mr. FAIRLESS. I believe that it does.

Mr. WOODEN. Will you state just how those two pamphlets that I have referred to were prepared?

Mr. FAIRLESS. On the basing-point pamphlet, a man by the name of Becht, Arno C. Becht, was the leader in the preparation of this particular study. Mr. Becht at the present time is an instructor at the University of Georgia, and is no longer connected with this particular activity.

In addition to Mr. Becht, various members of the U. S. Steel Corporation's official family and subsidiary companies, together with members of the firm of Governor Miller, and Irving S. Olds, together with outside economists, all participated to some extent in the preparation of the pamphlets that you have referred to.

I might, for further clarification, make the statement that Mr. Becht worked approximately 1 year in the preparation of the data and information that is contained in the basing-point study which has been presented to this committee.

Mr. WOODEN. You mean "Exhibit No. 1418"?

Mr. FAIRLESS. Well, yes, if that is the proper number. It is the basing-point study. There isn't any mystery about it.

Mr. WOODEN. Yes, and what about "Exhibit No. 1410"? How was that prepared?

Mr. FAIRLESS. It was prepared largely in the same manner by the same group, supplemented by Corporation people, of the subsidiaries and the Corporation itself, and was headed, I believe, by Mr. Edward T. Dickinson, Jr.

Mr. WOODEN. Were there any other economists beside this Dr. Becht who participated in the preparation of these two pamphlets?

Mr. FAIRLESS. I said yes.

Mr. WOODEN. Can you name any other?

¹ "Exhibit No. 1410" is included in Hearings, Part 26, appendix, p. 13893; "Exhibit No. 1418" is included in this Part, appendix, p. 14619 ff.

Mr. FAIRLESS. Well, Dr. Yntema had a place in these studies. When they referred to economic problems, he was consulted.

Mr. WOODEN. Did he review or participate in the final preparation of the pamphlets as they were submitted?

Mr. FAIRLESS. I can't answer that. Dr. Yntema is here and he can answer that for himself.

Mr. WOODEN. Any other economist besides the two that you have named?

Mr. FAIRLESS. Bradford Smith, who happens to be an economist, and is directly associated with the United States Steel Corporation at 71 Broadway. He participated in these studies and conclusions.

Mr. WOODEN. Did you have any other outside economist?

Mr. FAIRLESS. I don't believe so.

Mr. WOODEN. Do I understand that after the first draft of the pamphlets was prepared, it was then reviewed by various officials of the Steel Corporation?

Mr. FAIRLESS. Well, I wouldn't put it in just those words. Various officials of the United States Steel Corporation and subsidiary companies were consulted all through the preparation of this particular study or studies.

Mr. WOODEN. And who made the final review and approval of the pamphlets?

Mr. FAIRLESS. You mean as an individual?

Mr. WOODEN. Individuals, if there were more than one.

Mr. FAIRLESS. Why, the T. N. E. C. group who have been working now for a year and a half, in conjunction, of course, with the official family of the United States Steel Corporation.

Mr. WOODEN. Well, the pamphlets are submitted as the statements of the Steel Corporation?

Mr. FAIRLESS. Definitely so, yes.

Mr. WOODEN. And you would assume responsibility for any of the statements contained therein?

Mr. FAIRLESS. Any of the statements?

Mr. WOODEN. Yes.

Mr. FAIRLESS. Yes; certainly. Otherwise, we would not have presented them to the committee.

Mr. WOODEN. Mr. Fairless, can you tell me whether or not these pamphlets on the basing-point system were submitted to any other companies or representatives of companies in the steel industry?

Mr. FAIRLESS. To the best of my knowledge; no.

Mr. WOODEN. They do not then represent the statements even inferentially or indirectly of any part of the steel industry, other than the United States Steel Corporation and its subsidiaries, is that correct?

Mr. FAIRLESS. This is the statement of the United States Steel Corporation.

Mr. WOODEN. I believe you are the president of the Corporation?

Mr. FAIRLESS. That is correct.

Mr. WOODEN. How long since?

Mr. FAIRLESS. Since January 1, 1938.

Mr. WOODEN. And prior to that time, you were?

Mr. FAIRLESS. President of the Carnegie Illinois Steel Corporation.

Mr. WOODEN. And how long had you been with the Carnegie Illinois?

Mr. FAIRLESS. Since 1935; October 1st.

Mr. WOODEN. And prior to that time you were in the steel industry?

Mr. FAIRLESS. Twenty-five years, all together.

Mr. WOODEN. In what connection?

Mr. FAIRLESS. I was executive vice president of the Republic Steel Corporation at the time I came up to the United States Steel Corporation.

Mr. WOODEN. Have you held any official place in the American Iron and Steel Institute?

Mr. FAIRLESS. Yes, sir.

Mr. WOODEN. What?

Mr. FAIRLESS. Vice president.

Mr. WOODEN. When?

Mr. FAIRLESS. Now.

Mr. WOODEN. And were you at one time, chairman of the Institute's committee on commercial matters?

Mr. FAIRLESS. No; not the Institute's. I was chairman of the commercial committee under the Code Authority during the N. R. A.

Mr. WOODEN. Now during your experience in the industry, have you been in the sales end of the business?

Mr. FAIRLESS. In an official capacity?

Mr. WOODEN. Yes.

Mr. FAIRLESS. Never; I never held a sales position.

Mr. WOODEN. Mr. Adams, may I ask you how long have you been connected with the Corporation and in what capacity?

Mr. ADAMS. October 1, 1939; vice president of sales of the United States Steel Corporation of Delaware.

Mr. WOODEN. And before that time you were?

Mr. ADAMS. With the Inland Steel Co., as vice president and assistant general manager of sales.

Mr. WOODEN. And how long have you been in the industry in a sales capacity?

Mr. ADAMS. Since 1923, with the exception of 8 years during which I was vice president in charge of sales of the General Fire-proofing Co., at Youngstown, Ohio.

Mr. WOODEN. You had occasion during your sales experience in the steel industry to become familiar with what sometimes is referred to as the basing-point system?

Mr. ADAMS. From a practical standpoint, yes, sir.

Mr. WOODEN. Will you tell the Committee, in as few words as you can, what are the main features—physical and mechanical features—of the basing-point system?

Mr. ADAMS. It is a method which we use in calculating our delivered prices which we quote to our customers. We have found that in dealing with perhaps some 500,000 customers, who are users of steel, they prefer to have us quote delivered prices.

Mr. WOODEN. Will you—I don't mind your enlarging upon the point, but I want the physical aspects, and mechanics, of the system, rather than the reasons for it. Just a skeleton outline of what the system is.

Mr. ADAMS. If I understand your question correctly, we follow a method of arriving at delivered prices which is known as the basing-point system. We publish base delivered prices at our points of production.

Mr. WOODEN. That means delivered at the point of production, doesn't it?

Mr. ADAMS. Yes, sir.

Acting Chairman KING. May I ask a question there? Is that system one which has been approved by your customers and by the consumers of steel throughout the United States, if you know?

Mr. ADAMS. I would say very definitely, Senator, that our customers favor this method of quoting prices, the delivered-price method—and as evidence of that I would like to offer for the record an article from Iron Age of April 1939, which is the result of a survey made by Iron Age and conclusions reached by Iron Age.

Acting Chairman KING. It will be exhibited to counsel and we will take the views of counsel before it is admitted. Personally, I see no objection to it but I think counsel ought to have a chance to examine it, if he cares to.

Mr. WOODEN. Well, of course, we are familiar with the general situation that in the basing-point system customers who are in competition with each other naturally do not want their competing rivals to buy any more cheaply than they do, and that may account for such desire or such favoritism as there is on the part of customers toward the system, because it does put them on an equality as to the delivered price.

Acting Chairman KING. Well, Judge, do you object to it? If you do——

Mr. WOODEN (interposing). I haven't any objection but it is subject to——

Acting Chairman KING (interposing). Perhaps it can be put in at the conclusion of the testimony.

Mr. WOODEN. I think that would be better; yes.¹

Mr. DAVIS. Mr. Chairman, I would like to ask a question in this connection. With respect to your assertion that it is definitely desired by the customers, I want to ask you if it isn't a fact that your organization has on numerous occasions refused to grant a mill price when it was requested?

Mr. ADAMS. I wouldn't say that we had done that on numerous occasions, because we have not had numerous requests for mill prices in that sense of the word.

Mr. DAVIS. You have invariably refused to give such a price when it was requested, have you not?

Mr. ADAMS. I would say that we have not refused in every case. There may be exceptions to every policy, but the policy of the United States Steel Corporation is to quote delivered prices.

Mr. DAVIS. Only? That is true, is it not?

Mr. ADAMS. No, sir. I won't say that because there have been exceptions to our policy, in connection with instances where conditions justified making that exception.

Mr. DAVIS. Will you state one of the recent exceptions?

Mr. ADAMS. I think one of the recent exceptions was where a certain oil company asked for an f. o. b. mill price and we refused to deviate from our policy and quote on that basis. Our policy, however, is to quote delivered prices at the point of consumption where we believe competition exists; in other words, we think that that is the market for our product.

¹ Introduced *infra*, p. 14229, as "Exhibit No. 2202"; appears in appendix, p. 14430.

Now if you want to go into exceptions at this time, that would invoke our policy regarding various products and methods of transportation, but I didn't realize that that was what you—

Mr. DAVIS (interposing). Well, I will refrain from developing it further, with this additional question: Is it not a fact that you have expressly refused to grant mill prices to the Federal Government, when requested to do so?

Mr. ADAMS. Is that the exception you have reference to, in connection with our negotiations with the Government? Is that it?

Mr. DAVIS. Yes; where they have asked for bids or prices.

Mr. ADAMS. On the contrary, we do grant mill prices to the Government, and have in a great many cases. The Government does, however, in appraising their bids, appraise them on the basis of the delivered price value, because the United States Government, like all the rest of our customers, is interested in the cost of the material delivered at the point where it will be used.

Acting Chairman KING. Proceed, Judge.

Mr. WOODEN. I understand that your general practice and policy, however, is to quote only in terms of delivered prices?

Mr. ADAMS. That is correct.

Mr. WOODEN. Now you spoke of quoting base prices at your points of production. Are all your points of production known or recognized as basing points?

Mr. ADAMS. No, sir; there are a few exceptions. We have a few small mills located at what might be called nonbasing points, insofar as the operation of the Steel Corporation is concerned, but the total tonnage produced at those nonbasing points is very small.

Mr. WOODEN. Now, there are a number of other producing points in the industry, are there not, that are not basing points?

Mr. ADAMS. There are a few. According to my information, there are 52 published basing-point prices in the United States today and when you multiply that number by the number of products involved, that list of 52 may be expanded up to 125 or 150.

Mr. WOODEN. Isn't it true that for some products, there are a comparatively small number of basing points compared with the total number of producing points?

Mr. ADAMS. Will you repeat that question?

(The question was read.)

Mr. FAIRLESS. For example?

Mr. WOODEN. Well, how about structural shapes? How many basing points are there for structural shapes and how many producing points?

Mr. ADAMS. We have no nonbasing points for structural shapes.

Mr. WOODEN. I am not referring only to the Steel Corporation's points but to the industry's.

Mr. FAIRLESS. Well, this is the U. S. Steel Corporation hearing, not the steel industry hearing.

Mr. WOODEN. I understood it was to be about the basing-point system in the industry.

Mr. FAIRLESS. As applied to the United States Steel Corporation.

Mr. WOODEN. Well, I don't understand it that—

Mr. FAIRLESS (interposing). We certainly didn't have any idea that we were here representing the steel industry at any time or point during these hearings.

Mr. WOODEN. You brought out that you do not represent the steel industry in presenting these statements, but the title of your "Exhibit No. 1418" is, "The Basing Point Method of Quoting Delivered Prices in the Steel Industry."

Mr. FAIRLESS. That's right.

Mr. WOODEN. And you describe it from the industry standpoint as well as the Corporation standpoint.

Mr. FAIRLESS. Well, from the standpoint that we must bring out, in presenting our evidence, the basing points which we are confronted with in transaction of our daily business.

Mr. ADAMS. Mr. Wooden, we would be glad to present a map at this time, if you care to have us do so, to show the basing points for structural shapes and the nonbasing points, so that we can determine here and now just how many nonbasing points there are on structural shapes.

Mr. WOODEN. Well, it is already in evidence before the Committee, I think—the number of basing points and the location of the basing points and the products to which each applies. Now from the general knowledge that you have of the system in the industry don't you know that as to some products there may be only five or six basing points, as to a given product?

Mr. ADAMS. Well, we have scattered through the steel industry a range of products and a range of mills. There are some products that are made by 4 or 5 mills, there are other products that are made by 30 mills; so that with that as a premise, you would naturally find a varying number of basing points published in this industry.

Acting Chairman KING. May I ask a question there? Are there basing points—and I assume there are, as far as the steel industry as a whole is concerned—that are not the basing points of your company?

Mr. ADAMS. Yes, sir.

Acting Chairman KING. I am asking this for my own information, Judge, I don't want to interfere with you; but for my own information, are you testifying with respect to basing points alone or exclusively, which are used or employed by your company or by all of the steel industry?

Mr. ADAMS. When the question is asked as to the number of non-basing-point mills there are in the country, we answer in terms of United States Steel Corporation and we make the statement that practically all of our tonnage is sold at producing points where prices are published, delivered prices are published, at our points of production.

Mr. WOODEN. And which are basing points.

Mr. ADAMS. And which are basing points.

Acting Chairman KING. Are there basing points that other companies use which you do not recognize or employ in determining prices?

Mr. ADAMS. We do not publish delivered prices at competitors' basing points, but, because of the prices that exist at those points, we find it necessary to compete with the mills located at those points, and when we have to reduce our delivered price at the point of delivery by an amount necessary to meet that competition, then our mill net return is reduced and the amount that it is reduced is so-called freight absorption. We don't recognize that as a term; it is an evidence of competition that exists in this industry.

Mr. WOODEN. In your pricing you sometimes base your delivered price, do you not, upon the basing point prices of competitors?

Mr. ADAMS. We try to guess as to what the delivered price will be at the point of consumption. If a competitor is quoting in accordance with his published price we will try to ascertain what that price is by guesswork and beat that particular price at the point of consumption. In many cases that means that we have to reduce our price.

Mr. WOODEN. But after you ascertain the competitor's base price and that base price happens to control the destination price where you happen to be figuring, then you figure on that competitor's base price plus the freight from that basing point, do you not?

Mr. ADAMS. No, sir; we do not.

Mr. WOODEN. How do you do it?

Mr. ADAMS. The price that we quote is a delivered price and that is dependent upon the competition that exists at that particular point.

Mr. WOODEN. Well, do you not know what the competitor's base price is?

Mr. ADAMS. No, sir.

Mr. WOODEN. You have no knowledge of—

Mr. ADAMS (interposing). What his base price or his delivered price is?

Mr. WOODEN. His base price.

Mr. ADAMS. We think in terms of delivered price.

Mr. WOODEN. But don't you know what his base price is?

Mr. ADAMS. We might know what his published base price is.

Mr. WOODEN. You publish your base prices and competitors publish theirs?

Mr. ADAMS. We publish base delivered prices at our points of production.

Mr. WOODEN. And competitors publish theirs?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Your principal competitors publish theirs?

Mr. ADAMS. They notify their trade; I don't know whether they publish their prices each quarter on all products.

Mr. WOODEN. There are some territories, are there not, where your base prices govern or control the delivered prices?

Mr. ADAMS. If our problem is predicated entirely upon the question of published base prices and transportation costs involved, we might arrive at that assumption, but that presupposes the absence of competition.

Mr. WOODEN. Yes, but it is a fact that your base price plus the freight from your basing point controls the delivered price in some territories?

Mr. ADAMS. I wouldn't say that it controls the delivered price, no, sir, because we have competition in the territories located close to our mills just as we have competition in territories located closer to a competitor's mill.

Mr. WOODEN. Of course you have competitors coming in there, but if they follow the basing point system they come in there at your base price plus freight from your basing point, do they not?

Mr. ADAMS. They might assume, and the assumption would be predicated upon the fact that we publish a base delivered price, that the price that we might quote at a point near our mill would be the sum total of our published base price plus the actual freight to destina-

tion, but they would assume then that we never deviated from our published delivered prices, and that, of course, is not the fact in the picture, because we do deviate.

Mr. WOODEN. Have you deviated from your base prices as a consistent policy, or has it been an exception for you to deviate from your base prices?

Mr. ADAMS. Our policy is to be competitive naturally. Now the records will show that our average price over a long period of time, with the exception of the code period, was lower than our published price.

Mr. WOODEN. Well, that includes the item of freight absorption, does it not?

Mr. ADAMS. Again I must say that the term "freight absorption" is a term that has been coined by the critics of the basing-point method. Freight absorption from a steelman's standpoint is a transportation cost that is included in our delivered prices. Someone has to pay that freight. The railroads publish tariffs and rates of freight. Now someone has to pay that freight, so there is no technical absorption of freight. If we reduce our delivered price in competing for a piece of business at a point closer to a competitor's mill than ours, then we have to meet that competition by reducing our mill net return.

Mr. WOODEN. That's what I meant.

Mr. ADAMS. And that in itself is an evidence of the competition that exists in the steel industry today.

Mr. WOODEN. Do you reduce your mill net by the amount necessary to make your delivered price the same as that of the competitor? Is that right?

Mr. ADAMS. We do that and in a great many cases reduce it still further in order to meet what is known as price absorption, or price reduction, in order to be competitive beyond the competition that develops from difference in transportation costs.

Now I would like to make this point in connection with transportation costs. When we build a steel mill and select a location for that mill, we have to bring in 4 tons of raw materials for every ton of steel produced. The transportation costs in assembling those raw materials is a figure that exceeds the average transportation cost on finished products, so that transportation cost can be compared with the transportation cost involved in transporting our finished steel products to the points of consumption.

Mr. WOODEN. Do you make it a practice to cut your base prices, published prices, without making a public announcement of your change?

Mr. ADAMS. We find it necessary to reduce our base prices in order to meet competition.

Mr. WOODEN. Without publishing the change?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Do you attempt, however, to meet such things at times by republishing the base prices to meet the situation that you refer to?

Mr. ADAMS. Certainly. If competition breaks out at a certain point where one instance or two instances or a limited number of cases are involved, we will deviate from our published price in order to meet that competition. If it becomes general—we make a study of the use of that word "general"—then we do reduce our published prices.

Mr. WOODEN. Will you tell me in what respects, if any, the statement or description that I give now of the basing-point system in steel is inaccurate or inadequate?

There are a number, let us assume, of producing points and some points not of production known as basing points, and at those points so-called base prices apply. There are a number of other producing points that are not basing points for the particular products that are produced at other basing points. In figuring prices, ordinarily delivered prices are quoted. The delivered price quotation is made up of the base price on the particular product, plus the all-rail freight ordinarily to destination, and which base price controls the delivered price depends upon which one makes the lowest delivered price when the freight is added. Is that correct so far?

Mr. ADAMS. That is generally correct, assuming the absence of competition from the standpoint of price reductions in the base price.

Mr. WOODEN. Well, I'm not going into that; I am trying to get at these physical, mechanical aspects of the system.

Further, when one basing-point mill goes into a territory where another basing-point price plus freight from that basing point to the destination makes a lower delivered price, then the first basing-point mill meets that delivered price, does it not?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. And in doing that it adopts, for the purpose of that transaction, the basing-point price of the other mill plus the freight, all-rail freight, from that basing point to destination. Is that correct?

Mr. ADAMS. We don't look at it from that viewpoint, Mr. Wooden. We consider that in a case like that we reduce our mill net return in order to meet competition at that point of delivery.

Mr. WOODEN. But in essence your delivered price is made up of the other basing-point price plus freight from that other basing point, is it not?

Mr. ADAMS. I don't see how you can arrive at that conclusion, because as I said before, the freight in your delivered price is a transportation cost which has to be assumed by the successful bidder, so that the actual freight in that particular case from the standpoint of the Corporation is the freight from our producing mill to the point of consumption.

Mr. WOODEN. Yes; but that is deducted from the delivered price, leaving you a smaller mill net. Isn't that correct?

Mr. ADAMS. That is correct. It reduces our mill net return.

Mr. WOODEN. And the delivered price in that instance is the equivalent mathematically of the other basing-point mill's base price plus freight from it to destination, isn't it?

Mr. ADAMS. That is correct, providing our competitor doesn't reduce his published base price in order to meet some other competitor.

Mr. REYNDERS. Is it correct to say that that constitutes a ceiling at that point?

Mr. ADAMS. That is correct, Mr. Reynders.

Acting Chairman KING. May I ask a question? Assume that a producer finds a market within a radius, say, of 100 miles, and another producer who is perhaps four or five hundred miles away but desires to ship into that area where the area is small, and the freight rate, of course, would be a great deal higher from the four- or five-hundred-

mile producer than that of the producer that was within the small area, what would be the basing point there?

Mr. ADAMS. Well, there would be two basing points involved as such. The man located farthest away from the point of consumption would receive a lower mill net return.

Acting Chairman KING. He would have to pay more freight?

Mr. ADAMS. His transportation costs would be higher; yes, sir.

Acting Chairman KING. That would necessitate, if he competed with the producer within the small area, a reduction in his profits if profits are made, at least a reduction in the price?

Mr. ADAMS. Yes, sir, in the mill net return.

Mr. WOODEN. If each mill should calculate its delivered price in terms of a basing-point price on the particular product from the basing point to any particular destination on an all-rail freight basis, the result would be that the mills would get into that particular destination at an identical delivered price, would it not?

Mr. ADAMS. That would depend entirely upon the relation of their published base prices and the relation of the transportation costs. If two mills published identical prices and were quoting to a consumer who was exactly 200 miles from each mill and neither mill deviated from their published base prices, the delivered prices would be identical.

Mr. WOODEN. But even if the consumer were 50 miles from one mill and 150 miles from the other, the delivered price would be identical if the same base price was used by both and both added the same freight element from the base price to the destination, would it not?

Mr. ADAMS. Well, I think you are assuming something, Mr. Wooden, that is a little different from our practical analysis in the situation that exists. We still think in terms of delivered prices because our customers prefer to have us quote the delivered price. Now when we reduce our delivered price so as to be competitive in that market, the result is a reduction in our mill-net return. We don't take a competitor's basing-point price and add his freight. That isn't the freight that interests us. The freight that interests us is our actual transportation cost, and we analyze our actual transportation cost just like we analyze our costs of labor and materials and other things that go into the build-up of our delivered prices to determine whether or not we want to be competitive at the point of delivery. We may have a level of prices in the steel industry such that we would not want to compete in that market.

Mr. WOODEN. By being competitive do you mean making your delivered price at a given destination the same as that of your competitors?

Mr. ADAMS. We believe that delivered prices are an indication of fair competition in a great many cases.

Mr. WOODEN. Can you answer my question?

(The question was read.)

Mr. ADAMS. In our negotiations with our customers, if the customer should say to us, "We have a delivered price which is \$2 a ton below the price that you have quoted, we will place that business with you if you reduce your price \$2 a ton and be competitive," then we normally, under a normal set of conditions, would reduce our price

to a price equal to his. We would assume that after we had made that reduction we were then competitive from a price standpoint. Other things enter into the consideration, quality, service, factors of that kind.

Mr. WOODEN. Do you consider that unless your delivered price is the same as that of your competitors there is a noncompetitive situation there?

Mr. ADAMS. That question has to be broken down into two parts. If our price is higher we are noncompetitive from the price standpoint; if our price is—

Mr. WOODEN (interposing). The others are noncompetitive? You are noncompetitive; yes, that is right.

Mr. ADAMS. If our price is higher at the point of delivery than our competitors we would be noncompetitive from a price standpoint. If we went through a series of negotiations which resulted in our reducing our delivered price to a competitor's level we would assume that we were competitive. If our reduction exceeded the price quoted by competition we would assume, too, that we were highly competitive.

Mr. WOODEN. What if you went below the delivered price of your competitors? Would that be competitive?

Mr. ADAMS. Well, I would say that in that case we would be in a very competitive position from a price standpoint.

Mr. WOODEN. In other words, you are in a competitive position when your delivered price is the same as that of competitors and also competitive when it is below that of competitors. Is that right?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. As to other physical aspects of the basing point system, does it not result that frequently when you are selling in the territory of another basing point mill and meeting the delivered price at destination there, that you are absorbing substantial amounts of freight, so-called, meaning by that that you realize a mill-net return that is less than your own base price?

Mr. ADAMS. We still don't talk or think in terms of absorbing freight, because the freight is constant. If we do meet competition at a point of delivery and the result is to reduce our mill-net return, then we might have a mill-net return which is lower than the mill-net return reflected by quoting in a nearby territory where that type of competition did not exist.

Mr. WOODEN. And that is a very frequent and day-to-day occurrence, isn't it. Your realizing smaller mill-nets when you go into territory of other basing point mills?

Mr. ADAMS. That is true; yes, sir.

Mr. WOODEN. And assuming that your delivered price in such a case is the same as that of your competitors, the reduction in your mill-net return is just the amount needed to meet that delivered price of the competitor, isn't it?

Mr. ADAMS. Unless our delivered price should be below that of our competitor, unless we have the other factor in the picture, which is price absorption, price reduction.

Mr. WOODEN. Then it would be reversed, if your base price was the controlling base and a competitor came in he would absorb freight in the same way and to the same extent, wouldn't he?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Then another point. Even as a base mill, figuring your delivered price, as you do, in terms of all-rail freight, ordinarily, if you make an actual delivery by some cheaper mode of transportation such as water or truck, you have there, do you not, an increment in your base price represented by the amount of the difference between the transportation element that you figure and the transportation element that you actually use for the shipment.

Mr. ADAMS. You mean that our mill-net return might be increased?

Mr. WOODEN. Yes.

Mr. ADAMS. That, of course, as you know, Mr. Wooden, breaks itself down into several different cases.

Mr. WOODEN. All right.

Mr. O'CONNELL. If you use a means of transportation which is less expensive than rail transportation and your delivered price is on a basis of all-rail freight, I take it then that it would invariably result in higher mill-net, would it not?

Mr. FAIRLESS. If you did.

Mr. O'CONNELL. That is what I understood his question to be.

Mr. ADAMS. The answer is yes, but again we are talking in terms of an occasional exception, because that question raises the question of our over-all policy regarding water shipments, truck shipments, and methods of transportation which in some instances might be less than the all-rail freight. It also raises the question as to whether or not we charge the rail rate or charge the water rate.

Mr. WOODEN. But assuming you charge the rail rate in the quotation of the delivered price and ship by a cheaper mode of transportation, you thereby increase your mill-net return above the base price, do you not?

Mr. ADAMS. That is correct, but I want to make the point in passing that the few cases that we have been able to find on our books cover a very, very limited amount of tonnage. When we reach the question of water transportation I would like to have the opportunity of going into that further so that we can get down to facts.

Mr. WOODEN. I want to go into it further also.

Referring to section C in "Exhibit No. 1409"¹ which is the Corporation's exhibit of charts, I note that in a number of instances the mill-net yield, for instance for bars at Chicago, exceeded the base price by a substantial amount. For instance, take the month of June, 1935. Do you have that?

Mr. ADAMS. I have it now, Mr. Wooden. - It is Chart C-6 in "Exhibit No. 1409."²

Mr. WOODEN. Does that show that for the month of June, 1935, your mill-net on bars at Chicago exceeded your base price by 18 cents per hundredweight?

Mr. ADAMS. We believe that these figures are accurate. The period that you have pointed out in the first place is the code period. In the second place, these charts are predicated upon a comparison between the mill-net yield, which includes extras, and the reported base price, so that when the mill-net yield is below the reported base price in periods other than during the code period, we have made reductions in our base prices which exceed the amount of the extras involved.

¹ Included in Hearings, Part 26, appendix, p. 13743.

² Ibid, p. 13805.

Mr. WOODEN. Is it your explanation, then, that that 18 cents per hundredweight excess over the base price, or \$3.60 a ton excess over base price, is the result of extras being included?

Mr. ADAMS. That would be my explanation of it now without going into the detailed data which were used in connection with the preparation of the charts.

Mr. WOODEN. Are you sure that none of such excess of mill-net over base price could be the result of shipments by water?

Mr. ADAMS. When you use the word "none", Mr. Wooden, of course that means that there might be a few cents involved, or more likely fractions of cents involved, that can be traced to that.

Mr. WOODEN. I should add also by truck or any cheaper mode of transportation than all rail.

Mr. ADAMS. Yes, sir; my reply would be the same.

Mr. WOODEN. Isn't it possible, also, that such excesses of mill-net yield over the base price at a place like Chicago would be the result of your use of an arbitrary switching charge there, which would be in excess of the actual switching charge?

Mr. ADAMS. That is perfectly possible.

Mr. WOODEN. As a matter of fact, you do have these arbitrary switching charges at certain basing points, do you not?

Mr. ADAMS. We include in our published base delivered price at Chicago a charge of 3 cents per hundred pounds. Now you mentioned trucks a minute ago. The actual trucking charge in the Chicago area is $12\frac{1}{2}$ cents, and we charge 3 cents, so our mill-net return in that particular case would be reduced rather than increased.

I think that with your permission, inasmuch as we are talking about the possibilities that exist in the steel industry of raising mill-net returns by methods of transportation which cost less than the rail rate and charging the rail rate, I would like to say that we made a study for the benefit of this Committee of our shipments in 1937, and we found that we shipped 12,700,000 tons of finished products by all means of transportation. We actually shipped 1,200,000 tons by water and charged the water rates. There were 18,000 tons out of a total of 12,700,000 tons that we shipped by water and charged the rail rate. Now when you break that down you find that the subject we are talking about amounts to a very, very infinitesimal amount.

Mr. WOODEN. These figures that were put in this morning by Dr. deChazeau showed amounts of several dollars per ton representing so-called phantom freight and several dollars per ton representing so-called freight absorption, did they not?

Mr. ADAMS. I don't know what figure he might have mentioned. I would like to take any particular figure that you have in mind, any particular case, and break it down.

Mr. WOODEN. Well, are there not frequent instances where you do reduce your mill-net return by the amount of the difference between the actual freight from your shipping point and the freight calculated from another basing point to destination?

Mr. ADAMS. It is the approach that you follow to that subject that draws the distinction. We still quote delivered prices, and when we find it necessary to reduce those delivered prices in order to meet competition at point of delivery our mill-net return goes down.

Mr. WOODEN. By the amount necessary to make your price competitive at destination.

Mr. ADAMS. To make our price competitive at destination; yes, sir.

Mr. WOODEN. We will come later on to some of those subjects in more detail. I just wanted to get the general picture.

Mr. FAIRLESS, it is the stated opinion of the Corporation in "Exhibit No. 1418"¹ that the purpose of the pamphlet is to establish that the basing-point method is the natural result of basic economic conditions in the steel industry and does not result in the absence of price competition.² Is that correct substantially?

Mr. FAIRLESS. That is right.

Mr. WOODEN. And it is also the position taken, I believe, that the delivered price competition naturally takes the form of meeting the delivered prices of competitors, is that correct?

Mr. FAIRLESS. That is in the only definition of being competitive that I know. There may be others.

Mr. WOODEN. Mr. Gregg, I believe, is the vice president of U. S. Steel Corporation?

Mr. FAIRLESS. He is president of one of our leading subsidiaries, the Tennessee Coal, Iron, Railroad Co., and was at one time, vice president of the Corporation.

Mr. WOODEN. Mr. Chairman, I have here a printed transcript of testimony given by Mr. Gregg in hearings before the Senate Committee on Interstate Commerce in 1936, and I should like to read a portion of it, if I may?

Acting Chairman KING. Proceed.

Mr. WOODEN. This was in hearings before the Senate Committee on Interstate Commerce in March of 1936, on Senate bill 4055. - Mr. Gregg was being questioned about the basing-point system. He testified:

That has been the general merchandising plan in the industry.

The CHAIRMAN. So that if the plan is followed, there is no competition so far as price is concerned?

Mr. GREGG. On the contrary, there is competition. To answer your question specifically, if that plan were universally followed, there would be no competition in so far as one element of competition is concerned, namely, price.

That is on page 207 of the record that I referred to.

Now, Mr. Fairless, do you think Mr. Gregg was right in saying that if the basing-point system were followed, there would be no competition in price?

Mr. FAIRLESS. It seems to me that it would be perfectly obvious that if every steel producing company in this great industry posted their prices applying to their particular basing points, and that they and all their competition in quoting prices to consumers of steel used the nearest basing point and quoted the base price which had been published by the producer for that particular basing point, and added to that price the extras that applied to the products involved, and added to that the transportation cost to the point of consumption, obviously there would be a one-price set-up in the steel industry.

Now, the results that we have previously produced, I would think and I hope, are sufficient, of course, to prove that that is a theory and in practice it does not result, and never has resulted, to the best of my knowledge, except at one time, and I think you all know the period, and that happens to be the period when the realized price of bars at Chicago was higher than the announced price.

¹ Appendix, p. 14619ff.

² Further testimony on this subject appears infra, p. 14174 et seq.

Acting Chairman KING. Was that under the N. R. A.?

Mr. FAIRLESS. That is right.

Mr. WOODEN. Well, is it your position, Mr. Fairless, that the result of an identical delivered price at a given destination, arrived at by using a base price plus extras, plus freight from the base to the destination, is price competition or is not?

Mr. FAIRLESS. The basing-point system of arriving at delivered prices is only a method by which the U. S. Steel Corporation, and to a great extent the steel industry, merchandises its products. Now, so far as the actual operation of the multiple basing-point system is concerned, it is purely, highly competitive. Why? Because any producer can name at his particular basing point any price he chooses, and even after naming his price, he still reserves the right to use it or not use it as he sees fit.

It seems to me that for all practical purposes and for the conservation of time, which I believe is important to all of us, we will concede, if that is the point that you are trying to make, that if base prices as announced were followed in every transaction, and that the nearest basing point to the consumer governed, and that the rail freight was added from that point, and the delivered price arrived at in that manner, there wouldn't be any competition in the steel industry. It would be a one-price industry, pure and simple.

Mr. WOODEN. Well, then, do you mean to say——

Mr. FAIRLESS (Interposing). What I do mean to say is that practically speaking, and this is after spending 25 years in this industry, that does not exist except in theory.

Mr. WOODEN. You mean to say——

Mr. FAIRLESS (Interposing). Practically every company is out fighting for business and it is attempting to get business on a competitive basis.

Mr. WOODEN. Do you mean to say that competition in price exists when the system is departed from and when the system is adhered to there is no competition in price?

Mr. FAIRLESS. Well, I only know one way to state the things and that is in the simple and direct manner.

Mr. WOODEN. That isn't answering my question.

Mr. FAIRLESS. I know that if my price of bars is \$40 and I get only \$38 for them, I know that my price has been reduced \$2. I also know, and the exhibits that we have presented here conclusively show, not from any theory standpoint, but actual developments of our business, that we do not realize, and this industry, I am sure, does not realize its announced prices. I say, "Why?" or somebody says "Why?" It is due to competition.

Now, when we quote our prices, Mr. Wooden, in the newspapers, the trade papers, those are the prices we want to get. We think they are fair, and my previous testimony has shown how our prices were arrived at. They are not picked out of the air on the basis of how much profit we can exact from an unsuspecting public; they are based on our costs and a reasonable profit that we think we should get for those goods.

Mr. WOODEN. I wanted to ask you——

Mr. FAIRLESS (Interposing). But when we find—pardon me, but when we find that we cannot get those prices, even as fair as they are, due to competition, we reduce them. We reduce them how far? It

is dependent upon the conditions involved in the particular transaction.

Mr. WOODEN. I take it, Mr. Fairless, that you are in agreement with Mr. Gregg to the effect that if the system is followed, and to the extent that it is followed, there is no competition in price; is that right?

Mr. FAIRLESS. Well, I thought I had made myself clear.

Mr. O'CONNELL. Well, the answer is "Yes," but you say that as a practical matter, the system is not followed?

Mr. FAIRLESS. I have answered it that way. All the things you said, Mr. Wooden, if they were true, then your conclusion or the conclusion I assume that you are striking for, would be true.

Mr. O'CONNELL. May I interrupt? So that as one who looks with favor on price competition, I can be thankful that the system which the steel industry has set up does not work, is that right?

Mr. FAIRLESS. Well, although I wasn't present at the time the basing-point system was devised, I still think it is a good method for merchandising steel products, but I say that the United States Steel Corporation would welcome a better method for merchandising its products. It would welcome it.

Now, the fact is that we have this plan. When you stop to consider that here is an industry, and you are talking about sixty or sixty-five millions of tons of steel capacity, how in the world could these products—and there is a multiplicity of them—how could they be merchandised without a plan? How could the architect who was trying to arrive at the possible cost of a business building, structure or bridge, do it if he didn't have any basis for knowing how steel was sold? When it comes to the actual transaction, that becomes a matter between buyer and seller, and if there is any man seated at these tables who ever bought steel in any quantity, and who isn't convinced that there is definite competition in this industry, I would be very much surprised. Likewise, if there is anyone who doubts that there is competition in the industry, I would suggest that he put himself in a position to buy, either for himself or someone else, a reasonable quantity of steel.

Mr. O'CONNELL. Well, my comment was merely that, as it appears to be the fact, we can be a little bit encouraged about price competition because the basing-point system doesn't work to perfection.

Mr. WOODEN. Mr. Fairless, as a matter of fact, haven't there been periods of time when the basing-point system did work exactly to bring about the identical delivered prices which it is normally calculated to produce?

Mr. FAIRLESS. It didn't work, you say?

Mr. WOODEN. Haven't there been periods when it did work?

Mr. FAIRLESS. Did work?

Mr. WOODEN. Yes.

Mr. FAIRLESS. It worked beautifully under the N. R. A. Steel Code.

Mr. WOODEN. And as a matter of fact, the basing-point system was incorporated in the N. R. A. code, was it not?

Mr. FAIRLESS. The Code Authority accepted it, yes; definitely.

Mr. BALLINGER. Mr. Fairless, if the system does not work and the system of pricing in steel is therefore competitive, because of departures from the system, would you be willing to endorse legislation to outlaw the basing-point system?

Mr. FAIRLESS. Well, why?

Mr. BALLINGER. Well, it doesn't work; why have it around? Some day you might make it work.

Mr. FAIRLESS. It does work. The basing-point system was never designed to prevent competition, Mr. Ballinger. It was not so designed and it isn't so used today.

Mr. WOODEN. It was designed, however, to——

Mr. FAIRLESS. It is only a method of merchandising our products.

Mr. WOODEN. It was designed, was it not, Mr. Fairless, according to your own testimony, to produce an identical delivered price when followed?

Mr. FAIRLESS. My testimony?

Mr. WOODEN. Yes. In other words, I thought you agreed with Mr. Gregg that if it were followed you would not have any competition in price.

Mr. FAIRLESS. On the one hand you are asking me how the system is designed; then you go from that to how the system works. I would like to answer either question.

Mr. WOODEN. I don't mean originally intended by design, but I mean calculated to produce certain results.

Mr. FAIRLESS. Well, it is definitely my opinion that the multiple basing point system for the distribution of steel products was not designed to prevent or preclude competition.

Acting Chairman KING. Sort of a merchandising formula?

Mr. FAIRLESS. That's right.

Mr. WOODEN. And yet it produced the effect, as Mr. Gregg said, that if it works, in other words an identical delivered price and no competition in price.

Mr. FAIRLESS. I should like to clear up Mr. Gregg's testimony—which, of course, I am not responsible for.

Acting Chairman KING. He was testifying under the N. R. A., was he not?

Mr. WOODEN. No; subsequent to that.

Mr. FAIRLESS. As I read from the record, Mr. Gregg said substantially what I have just said.

Mr. WOODEN. That's what I thought. As a matter of fact, do you not, in your pamphlet, "Exhibit No. 1418,"¹ quote from the N. R. A. report with approval, to the effect, that "The outstanding characteristic of the basing point system is the fact that it puts rival producers on a footing of price equality with each other in all the consuming points over a wide area"?

Mr. FAIRLESS. That's a true statement, but it still doesn't preclude competition in those areas.

Mr. WOODEN. Are you intending to defend the system itself by showing that there are departures from it?

Mr. FAIRLESS. Well, I didn't know that I was here particularly to defend the system at all. I am here to answer any questions about it. My greatest defense for the multiple basing-point system in this industry would be that I have yet to see any substitute for it that is equal to it, let alone better.

Mr. WOODEN. As a means of doing what?

Mr. FAIRLESS. Of transacting our business in an orderly manner.

Acting Chairman KING. What are the widest fluctuations in prices of steel during the past 10 or 15 years?

¹ Appendix, p. 14619ff.

Mr. FAIRLESS. You mean as between the prices of a certain product?

Acting Chairman KING. Yes. Have there been very wide fluctuations?

Mr. FAIRLESS. Oh, yes. In a 10-year period? Yes.

Acting Chairman KING. Have there been fluctuations within a year among the producers of steel?

Mr. FAIRLESS. There have been some, but substantially the prices that are in effect today, Senator, are those announced June 24, 1938, substantially. So far as announced prices are concerned, that is. Now the realized prices fluctuate. Obviously with the industry operating at almost capacity, as it did in the fourth quarter of 1939, the more nearly were those announced prices realized insofar as the United States Steel Corporation was concerned, but even in that period our records will show that the announced prices were not realized.

Mr. WOODEN. Mr. Fairless, in that connection, even when the basing point system is working 100 percent and producing an identical delivered price, your mill net realizations fluctuate even then, do they not?

Mr. FAIRLESS. The basing point system works 100 percent every day, 24 hours of every day, but it doesn't result in uniform prices, because that isn't the reason that the system is in vogue or practice.

Mr. WOODEN. Would you say that the present purposes of it are different from what they were when it was originated?

Mr. FAIRLESS. I haven't any idea when it was originated—I wasn't in the picture at that time. But I do know, from 25 years experience, how it works.

Acting Chairman KING. During your connection with the steel industry, have the prices in various parts of the United States at the same time, same day, same month, same week, same year, varied with respect to steel commodities?

Mr. FAIRLESS. Yes.

Acting Chairman KING. So that the costs for instance in San Francisco for steel would be different from the costs for steel, say, in Pittsburgh or New York?

Mr. FAIRLESS. Yes.

Mr. WOODEN. The delivered price, of course, varies according to the delivery charge, does it not?

Mr. FAIRLESS. We announce——

Mr. WOODEN (interposing). You have different delivered prices at an innumerable number of destinations?

Mr. FAIRLESS. Certainly.

Mr. WOODEN. Depending on differences in freight?

Mr. FAIRLESS. Well, freight and other considerations. Not entirely freight.

Mr. WOODEN. But freight alone would produce innumerable variations?

Mr. FAIRLESS. Certainly.

Acting Chairman KING. And the cost of production, aside from the freight, would be different, would it not, in the various parts of the United States?

Mr. FAIRLESS. Yes.

Acting Chairman KING. A steel mill in Provo, Utah, the cost of producing steel there might be very much different from the cost of producing steel in some other parts of the United States?

Mr. FAIRLESS. Certainly.

Acting Chairman KING. And, of course, the transportation costs from Provo to San Francisco or Sacramento or Los Angeles, where probably the greater part of the steel is consumed, would be greater than the transportation costs from Pittsburgh to some of the consuming areas nearby Pittsburgh?

Mr. FAIRLESS. Steel could be—can be produced in Provo, Utah. It is one of the lowest-cost spots in the United States.

Acting Chairman KING. That's because of the proximity of coal?

Mr. FAIRLESS. And ore.

Acting Chairman KING. And what?

Mr. FAIRLESS. And iron ore.

Acting Chairman KING. The iron ore being a little more than 150 miles away, with fine railroad communications?

Mr. FAIRLESS. That's right.

Acting Chairman KING. So that that's an element then?

Mr. FAIRLESS. That's right.

Acting Chairman KING. The cost of ore, then, is quite an important factor in determining the price of the finished product?

Mr. FAIRLESS. Definitely.

Mr. DAVIS. Mr. Fairless, what percentage of total tonnage is sold at quoted prices and what percentage at lower than quoted prices?

Mr. FAIRLESS. What percentage?

Mr. DAVIS. Yes, sir.

Mr. FAIRLESS. Do you have some particular period in mind?

Mr. DAVIS. You can take any period you want to.

Mr. FAIRLESS. I wouldn't have that information available. Do you have it, Mr. Adams?

Mr. ADAMS. We don't have those statistics available. It depends upon your approach to the subject. Mr. Wooden raised the question as to whether there is competition under the basing-point system, if it works perfectly. From a sales standpoint I would like to say that under Mr. Wooden's definition of the perfect functioning of the basing-point method of calculating delivered prices, that we have competition.

Mr. WOODEN. You mean that the delivered price is different even under the perfect functioning of the basing-point system?

Mr. ADAMS. I would say that even if we had identical delivered prices at the point of consumption, that there is still competition in the picture by the amount that we would have to reduce our mill-net return in order to compete in a territory farther removed from our market.

Mr. WOODEN. But so far as the buyers are concerned at that particular point, the delivered price is the same?

Mr. ADAMS. It might be, but by the same token, under any method of calculating prices you are apt to have identical prices, or uniform prices at the point of consumption, because in your negotiations with a buyer, if he tells you that a competitor has reduced his price and gives you an opportunity to meet that price and take the business, then you have two identical prices.

Mr. DAVIS. There is no competition in price so far as the buyer is concerned, is there, in your industry?

Mr. ADAMS. Our industry is full of competition from the buyer's standpoint. We are constantly calling upon the larger buyers of steel and we are constantly being told that our prices are not low enough. We have breaks in the market, had one a short time ago where the price went off \$8 a ton.

Mr. WOODEN. A good deal depends upon the general conditions of demand and supply in that connection, I suppose, whether business is active and plenty of it, whether the prices are well maintained or not?

Mr. ADAMS. Well, of course the elements of supply and demand enter into any competitive situation from a practical standpoint.

Mr. WOODEN. Have there not been instances even during such periods as you refer to, where the basing point system wasn't working and prices were being cut, where some buyers continued to pay the full basing point price plus freight from the basing point?

Mr. FAIRLESS. Mr. Chairman, can I answer that question?

Acting Chairman KING. Yes.

Mr. FAIRLESS. I would like most emphatically, if I have that ability, once and for all to state our position insofar as the basing point system is concerned. Our contention is that breaks in prices are not a break-down to any degree of the so-called basing point system. We contend that the basing point system was in effect and worked just as well when sheets and other flat rolled products sold for \$8 a ton under the market as it did when they sold definitely on the market. There is no relationship, and constantly to be asking us the question about the break-down of the basing point system we don't believe is a fair presentation. Everybody, of course, is entitled to his own opinion of the basing point system, but we contend that the basing point system is only a vehicle which we use to merchandise our products. We have told you we use it because we know of no better method to merchandise our products. There might be, and if out of these hearings could come that, we would be the first to welcome it.

Now so far as competition is concerned, the fact that you have basing points and that prices are quoted as applying to those basing points for various products, and the fact that those prices are not maintained or are maintained or are reduced, so many dollars one time and more or less dollars at another time, are in no way in relationship to the basing point system. That is our contention, and I would like to make that clear if I can.

Mr. WOODEN. But is it not true, Mr. Fairless, that if price reductions are made that are made, say, secretly, that they constitute a reduction from the delivered price that would be effective if the basing point system were followed?

Mr. FAIRLESS. Well, in the first place there are no secrets in the steel industry.

Mr. WOODEN. No secret price cutting?

Mr. FAIRLESS. No, no secrets. When we talk about the prices of flat rolled products being reduced \$6 or \$8, whatever they were last year, that applies to the United States of America.

Mr. BALLINGER. In other words, there is no chance for somebody to slip one over on you in the steel industry? There is no chance for someone to slip one over and cut the price without your knowing it?

Mr. FAIRLESS. I didn't say that. I didn't say that. Of course a seller of steel could go to you today, if you happen to be in the market to buy steel, and reduce his price. I don't claim that I would know anything about that. But I do claim that if prices are being reduced on that particular product or products which might be involved for any period of time, I think our people in the field, I think they would know about it. That's what they are engaged for.

Mr. BALLINGER. Well, at any point where you are selling steel there do the prices differ? I mean have they differed, one producer got a lower price than another one?

Mr. FAIRLESS. Certainly.

Mr. BALLINGER. Many times?

Mr. FAIRLESS. Yes; daily.

Mr. BALLINGER. They aren't the same price at destination generally?

Mr. FAIRLESS. Generally? What is generally?

Mr. BALLINGER. I mean all producers are offering at the same price at destination, practically, in general.

Mr. FAIRLESS. I don't like to answer that question generally. I don't know; I couldn't answer that. I wouldn't know. Obviously, if markets are not reasonably maintained, then we have new markets, don't we?

Mr. WOODEN. Is it your position, Mr. Fairless, that unless the delivered prices at given destinations are the same from various competitors, that there is not a competitive situation?

Mr. FAIRLESS. Well—repeat the question, please.

(The question was read by the stenographer.)

Mr. FAIRLESS. Well, I really do not know what you mean by that question. What is your point?

Mr. WOODEN. It's simply whether prices at destination have to be the same in order to be competitive from your point of view.

Mr. FAIRLESS. No; they don't have to be the same. I have no control over whether they are the same.

Mr. WOODEN. Are they competitive at given destinations when they are not the same?

Mr. FAIRLESS. What is your question?

Mr. WOODEN. Are they competitive at given destinations when the prices are not the same?

Mr. FAIRLESS. Why certainly.

Mr. WOODEN. And competitive also when they are the same?

Mr. FAIRLESS. They could be.

Mr. WOODEN. Yes; all right. Haven't you advanced the theory in your pamphlets that they should be the same at destination in order to be competitive?

Mr. FAIRLESS. I don't think so.

Mr. WOODEN. You quoted from N. R. A. to the effect that that was the outstanding characteristic of the basing point system, didn't you?

Mr. FAIRLESS. Generally speaking, the general policy was that if we are selling a group of steel consumers an identical product that we should charge each of those consumers the same delivered price in that particular locality. As a matter of fact, the law also says we should.

Mr. WOODEN. Do you mean by the same delivered price the same as the delivered price of competitors?

Mr. FAIRLESS. Well, it may or may not be. I tried to make that point. I will be very glad to repeat it if you choose.

Mr. WOODEN. That is all right.

Acting Chairman KING. If you fix the price at which you would sell, for instance, in Pennsylvania, in Philadelphia, that wouldn't preclude a competitor from selling at a higher or lower price.

Mr. FAIRLESS. No, sir; not at all. However, at no point and at no time do we ever attempt to get higher than our announced price.

Mr. DAVIS. Mr. Fairless, was there any variation in delivered prices quoted by the different steel companies under the operation of the N. R. A. code?

Mr. FAIRLESS. I couldn't answer that. I couldn't answer that. Obviously I couldn't myself know.

Mr. DAVIS. Can you answer that, Mr. Adams?

Mr. ADAMS. No, I can't answer that. I wasn't in the steel industry then.

Mr. WOODEN. Mr. Fairless, in that connection I believe you testified here in November, referring to the Birmingham differential, that it was a rare instance when you got the full Birmingham differential in a period of the last 7 years. Do you recall that?

Mr. FAIRLESS. I don't think I made that statement in my testimony. Seven years? I said that generally speaking the differential had been eliminated prior to the abolition by our announcement of June 24, 1938.

Mr. WOODEN. If you did make such a statement did you intend to include in it the N. R. A. Code period?

Mr. FAIRLESS. No, I did not.

Mr. WOODEN. Seven years would have included it.

Mr. FAIRLESS. Did I make a definite 7-year statement?

Mr. WOODEN. I so read it myself.

Mr. FAIRLESS. Myself?

Mr. WOODEN. Yes, that's the way I read it. I believe you said the basing point system was incorporated in the N. R. A. Code. That code, did it not, specified the basing points for various products and provided that the delivered prices should be fixed according to basing points plus all rail freight to destination.

Mr. FAIRLESS. Correct.

Mr. WOODEN. And were you chairman of the Committee on Commercial Matters that functioned during that period?

Mr. FAIRLESS. Part of the time.

Mr. WOODEN. Did that committee have to do with implementing the code by promulgating or preparing a series of rules and regulations or recommending such a series of rules and regulations?

Mr. FAIRLESS. Well, that committee which was appointed by the Code Authority and was responsible to the Code Authority dealt with all commercial matters pertaining to the steel industry during the duration of the steel code.

Mr. WOODEN. Didn't that Code Authority you refer to consist of the Board of Directors of the American Iron and Steel Institute?

Mr. FAIRLESS. And others.

Mr. WOODEN. What others?

Mr. FAIRLESS. Government officials.

Mr. WOODEN. Didn't the code itself provide that the Institute Board of Directors should be the Code Authority?

Mr. FAIRLESS. Yes, but the Board of Directors was augmented in order to provide a place for certain Government representation.

Mr. WOODEN. When the code passed out under the Supreme Court decision in the *Schechter case* in May 1935, the industry, did it not, passed a resolution to continue the commercial provisions of the code in effect as well as some other provisions?

Mr. FAIRLESS. I can't answer that. I was not a director of the institute at that time.

Mr. WOODEN. Were you not in a position in the industry to know whether or not the industry did adopt such a formal resolution to continue the code after June 1935?

Mr. FAIRLESS. Continue the code?

Mr. WOODEN. Continue the Standards of Fair Competition which are described in the Steel Code?

Mr. FAIRLESS. As I say, I was not a director of the institute and I am not familiar with what happened at that time. I became a director in 1937.

Mr. WOODEN. Are you without knowledge on that subject?

Mr. FAIRLESS. Well, I'm certainly not without practical knowledge. I know, and the performance of the industry will certainly show, that immediately upon the abolition of the Steel Code and the N. I. R. A. that steel prices became highly competitive almost overnight, and the results as shown in our charts will prove just that assertion.

Mr. WOODEN. Do you recall working as chairman of the Committee on Commercial Matters on various resolutions or regulations to supplement and implement and make more effective the working of the code?

Mr. FAIRLESS. Yes, sir.

Mr. WOODEN. One of those resolutions related, did it not, to the charging of certain arbitrary switching charges at certain basing points?

Mr. FAIRLESS. Arbitrary?

Mr. WOODEN. Yes.

Mr. FAIRLESS. Well, I recall that a switching charge of 50 cents was established for Pittsburgh and 60 cents for Chicago.

Mr. WOODEN. Those arbitrary switching charges were promulgated in the form of a commercial resolution, were they not?

Mr. FAIRLESS. I believe they were.

Mr. WOODEN. And was that a matter that you handled as chairman of this Committee on Commercial Matters?

Mr. FAIRLESS. I don't remember whether that came up at the time I was chairman or not. I was a member of the committee and later, in the latter days of the code, became its chairman.

Mr. WOODEN. Those arbitrary switching charges that were included in that resolution have continued in effect, have they not?

Mr. FAIRLESS. Yes, sir.

Mr. WOODEN. You state that, I believe, in your Exhibit 1418, page 64, footnote. You state that that practice has generally been followed since the code.

Mr. FAIRLESS. That is right.

Mr. WOODEN. That, I take it, means that not only you but your competitors follow that practice?

Mr. FAIRLESS. Generally speaking.

Mr. WOODEN. And those arbitrary switching charges are in some cases more and in some cases less than the actual switching charges, are they not?

Mr. FAIRLESS. In most cases less.

Mr. WOODEN. Yes; but they run both ways to some extent.

Mr. FAIRLESS. In most cases the actual switching charge is higher than the rate charged.

Mr. WOODEN. But there are some cases where it is lower.

Mr. FAIRLESS. There might be, undoubtedly are.

Mr. WOODEN. What is the purpose of having a switching charge added to the base price which is not the actual switching charge?

Mr. FAIRLESS. In our case it is the desire to treat all of our customers in a given territory on the same basis and reflect in their delivered prices a constant charge for transportation within the basing zone. Many times those customers are competing one against the other.

Mr. WOODEN. And isn't it true that the producers at some of these basing points where the arbitrary switching charges apply have varying actual switching charges?

Mr. FAIRLESS. Have actual?

Mr. WOODEN. Yes.

Mr. FAIRLESS. I would assume so.

Mr. WOODEN. And does not this arbitrary switching charge unify the switching charge which the various producers in that area may use, rather than using their own actual and varying switching charge?

Mr. FAIRLESS. Well, there isn't any mystery about it, it is simply a standard charge that is made for switching in these big switching areas as represented in Chicago and Pittsburgh. It was designed to be fair to the consumers of steel in those particular territories. It was designed so that on the average it would actually cost the steel producers in their territories more than they received for transportation in order to make it 100-percent fair.

Mr. REYNOLDS. If there were different switching charges in that area, wouldn't automatically all the producers assume the low one, whatever it might be? There would be uniformity as a matter of automatic conditions.

Mr. FAIRLESS. That is right.

Mr. WOODEN. But under this rule or regulation or resolution whatever one calls it, the switching charge was standardized on this arbitrary basis, was it not?

Mr. FAIRLESS. I have answered that, yes.

Mr. WOODEN. Do you recall the resolution which set up that arbitrary switching charge and the reasons given in the preamble to it?

Mr. FAIRLESS. No, I can't remember that.

Mr. WOODEN. It is Resolution No. 20. Do you recall that it was cited that there was a great diversity in the switching charges at various basing points?

Mr. FAIRLESS. I don't recall. I am willing to accept it if you have the resolution; we can save a lot of time.

Mr. WOODEN. Do you recall that the resolution stated that the reason for making an arbitrary switching charge was to insure uniform practice?

Mr. FAIRLESS. Well, that would be a very good reason, if given. We have all these customers in the same territory, buying the same steel, using it for the same purposes in many cases. It certainly would be a proper reason for bringing about uniformity in their costs.

Mr. WOODEN. Unless you had a standardized switching charge you would not be able to have an identical delivered price in that switching area, would you, with the actual switching charges varying?

Mr. FAIRLESS. Obviously, obviously.

Mr. WOODEN. There was another of those commercial resolutions under the code which I understand your pamphlet to state represents the general practice, and that is with reference to the figuring of delivered prices when delivery is taken by truck.¹ Under the code the resolution provided that where the buyer took delivery by truck, in his own truck, that he should be allowed 65 percent off of the rail transportation, did it not?

Mr. FAIRLESS. He would be quoted a delivered price and then he would be credited with 65 percent of the all-rail transportation charge involved in the transaction.

Mr. WOODEN. Meaning that he would be quoted a delivered price on all-rail delivery and then when he brought his own truck to take delivery he would be allowed 65 percent off the all-rail delivery, meaning that he paid a premium or an excess of 35 percent in order to take delivery in his own truck? Is that correct?

Mr. FAIRLESS. Do you want me now to explain all about this?

Mr. WOODEN. I want you to tell me if that is correct.

Mr. FAIRLESS. Again there isn't any mystery about handling our truck deliveries.

Mr. WOODEN. Is my statement of it correct?

Mr. FAIRLESS. No; it wasn't correct. The inference behind your statement isn't correct.

Mr. WOODEN. Will you tell me what the factual situation is?

Mr. FAIRLESS. That is what we would like to do. Mr. Adams can do that very hurriedly.

Mr. ADAMS. On truck deliveries where we contract with a common carrier, the truck company, to deliver our products to destination, we charge the all-rail rate of freight. We do that because in our analysis of rail rates versus truck rates we find that there is practically no difference. There may be a difference of a few cents here or there, but generally speaking they are approximately the same.

If we sell our material on a delivered-price basis, as we always do, and a buyer wants to send his truck to our mill to pick up that material, we quote the delivered price predicated upon a transportation cost which is equal to the rail rate and we deduct from that 65 percent of that rate. Our object in doing that is something that we do not attempt to conceal. We are attempting to discourage the use of trucks in the transportation of our products for many reasons. In the first place, our production facilities are not laid out to haul all of our products by truck, small truck loads. We couldn't possibly ship 12 to 15 million tons of finished products throughout this country each year and use trucks. There is not enough space in our plants to handle trucks on that basis, so it is an attempt on our part to discourage the use of trucks in the handling of steel products. Also there is the question of the material being damaged in transit, and other items of that character.

Mr. WOODEN. If a buyer takes delivery in his own truck, why should you worry about damage in transit?

¹ Further testimony on this subject appears *infra*, p. 14184 et seq.

Mr. ADAMS. Well, we don't worry about that, Mr. Wooden, to much of an extent. Our main objective is to discourage the use of trucks because our investment in production facilities is an investment which does not provide for the use of trucking facilities in and out of our plants. Our costs of loading into trucks exceed the cost of loading into freight cars, not only the actual cost but the indirect cost. We can call upon a railroad to deliver a car to our siding and we can be sure that that car will be there at a certain time, but if a buyer sends his own truck to our plant, that truck might arrive at 10 o'clock one morning or at 10 o'clock the next morning, and we have to change our loading programs all around to accommodate that situation.

Now, we do it in certain instances as a convenience to our customers, but again, going back to our records for the year 1937, we actually did ship 313,000 tons of steel by trucks in 1937.

Mr. WOODEN. Charging the 35 percent additional or the 65 percent allowance, depending on how you look at it?

Mr. ADAMS. We haven't that statistical data available, Mr. Wooden.

Mr. WOODEN. Well, this practice of adding 35 percent or deducting 65 percent from the all-rail, just according to how you look at it, is a practice that originated by rule under the code, is it not?

Mr. ADAMS. Well, I can't answer that.

Mr. FAIRLESS. I can answer that. It wasn't so much by rule as it was by a study that was made by various producing companies of the actual differences in cost to the steel companies in handling truck shipments versus rail shipments. Also, as I remember, the results of the study established the 65 percent figure, and also it established a saving within, I believe, 200-mile limits, which the steel industry felt were about the economical limits for trucking.

Mr. DAVIS. Are you talking about your own companies or about your own companies and competing companies? Are you talking about your cost of production?

Mr. FAIRLESS. At the moment, we are talking about a matter that came up in the industry during the application of the Steel Code; therefore, it was an industry matter and it was an industry study at that time.

Mr. ADAMS. The fact is, gentlemen, that there are very few of our customers who own their own trucks and want to send those trucks to our mills to pick up steel. On the other hand, we try to discourage that practice.

Mr. WOODEN. You would do the same, would you not, in case he hired a truck to come and get his own purchase?

Mr. ADAMS. That is true, but here again, we are dealing with a relatively small portion of our business. The man who owns his truck and sends it to our mills to pick up steel is competing against his competitor at the point of delivery. One man is charged the all-rail freight; the other man who owns his own truck, if he doesn't own it, he hires one and sends it in, whichever the case may be, is charged the all-rail freight, less 65 percent of that delivered transportation cost. In that way, insofar as our own company is concerned, there is apparently no discrimination as between customers, because we are selling our products on a delivered price basis, and we try to

avoid discrimination in dealing with our different customers at the point of delivery, who are competing in their markets.

Mr. WOODEN. Didn't the use of trucks by some buyers who were in competition with buyers who bought all-rail, tend to unsettle the price between those buyers; in other words, didn't the truck buyer own his purchase at destination cheaper than the one who bought all-rail?

Mr. ADAMS. There might be that tendency, of course, but we have a Robinson-Patman bill in this country.

Mr. WOODEN. Isn't the disturbing effect upon that delivered price figured on the all-rail basis, one of the reasons that you adopted this truck rule—this 35-65 percent?

Mr. ADAMS. I would say the first reason was the few requests that we have had from our customers who come to our mill and pick up material with their own trucks. Now, naturally, it follows that we are interested in the delivered price level at the point of delivery.

Mr. WOODEN. And the truck delivery tended to disturb or upset that delivered price, didn't it?

Mr. ADAMS. I would say that it might tend to do that. I wouldn't say that it does, because when you avoid discrimination at the point of consumption by allowing 65 percent of the rail rate, then our delivered prices to the two customers involved, one taking his merchandise by all-rail and the other taking it by his own truck, are approximately the same, taking into consideration the costs involved in the picture.

Acting Chairman O'CONNELL. You used the word "discrimination." There is an element of discrimination as against trucks in comparison with railroads, isn't that a fact? In other words, in order to compete with the railroads in trucking steel, the truck has to operate on 35 percent less, is that right?

Mr. ADAMS. It would be infinitesimal. It would be very small. We tried to avoid—when I used the word "discrimination," I used it in connection with two customers competing against each other at point of delivery so that we would—

Acting Chairman O'CONNELL (interposing). I understand. I was raising a little different question, because as I understand it, for a truck to compete with a railroad in trucking steel, it has to be able to operate on 35 percent less revenues for any given job; isn't that right?

Mr. ADAMS. Well, we would allow the buyer who owns his own truck, and there are relatively few of those, 65 percent of the rail rate if he used his own truck.

Acting Chairman O'CONNELL. And that same 65 percent would be all that would be available to him if he were to hire a truck?

Mr. ADAMS. That is right.

Mr. REYNERS. And as a practical matter, I will ask, your shipping yards are rarely equipped with roads on which a truck could get admission under traveling cranes and so forth, and moreover, in loading a truck, you would be dealing with 5- to 10-ton quantities, whereas with a railroad car, you are dealing with 50- or 100-ton quantities, which must affect the situation in your shipping yard very materially, I should think.

Mr. ADAMS. That is absolutely correct. Our direct and indirect costs involved in loading trucks versus cars—

Mr. REYNERS (interposing). For instance, dropping a 5- or 10-ton load on a truck might injure that truck very seriously, but in the case of a railroad car, that wouldn't be the same situation.

Mr. ADAMS. That is correct, Mr. Reynders.

Mr. WOODEN. As a matter of fact, though, Mr. Adams, there are some products that are shipped rather heavily by truck, are there not?

Mr. ADAMS. Well, I can only answer that by saying——

Mr. WOODEN (interposing). Your pamphlets say so.

Mr. ADAMS. That in the boom year of 1937, we shipped 313,000 tons by truck, out of a total of roughly 12,700,000 tons of finished products. Now, that is a relatively small percentage of the total. You might say that a large volume of one single product was shipped, when you compare that volume to any one customer's total requirements, but from an over-all picture, the percentage factor is low.

Acting Chairman O'CONNELL. Would this be a convenient place to recess?

Mr. WOODEN. Any time would be all right.

Acting Chairman O'CONNELL. Several members of the committee want to leave, and as Senator King said, we have only one session tomorrow. We will try to start it at 10 o'clock and continue until we are all in a mood to stop for the week end.

We will recess now until 10 o'clock tomorrow morning.

(Whereupon, at 4:30 p. m., a recess was taken until Saturday, January 27, 1940, at 10 a. m.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

SATURDAY, JANUARY 27, 1940

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:05 a. m., pursuant to adjournment on Friday, January 26, 1940, in the Caucus Room, Senate Office Building, Mr. Joseph J. O'Connell presiding.

Present: Mr. O'Connell (acting chairman), Senator King, Mr. Davis.

Present also: John V. W. Reynders, representing the Department of Commerce; Willis Ballinger, Director of Studies for the Federal Trade Commission, and Walter B. Wooden, assistant chief counsel, representing the Federal Trade Commission.

Acting Chairman O'CONNELL. The committee will be in order. Mr. Wooden.

**TESTIMONY OF BENJAMIN F. FAIRLESS, PRESIDENT, UNITED STATES STEEL, CORPORATION, NEW YORK CITY—Resumed
AND OF AVERY C. ADAMS, VICE PRESIDENT, UNITED STATES STEEL CORPORATION OF DELAWARE, PITTSBURGH, PA.—Resumed**

THE BASING POINT SYSTEM IN THE STEEL INDUSTRY AND DEVIATIONS FROM IT

Mr. WOODEN. Mr. Fairless, you testified yesterday afternoon that when one competitor made a lower delivered price than another competitor, that that was a competitive situation. Is that correct?

Mr. FAIRLESS. It certainly indicates that price competition exists.

Mr. WOODEN. Then why, in your pamphlet ["Exhibit No. 1418"]¹ did you quote from the N. R. A. to the effect that if a competitor with lower freight costs gives his customer any benefit "he is giving a lower price than competition forces him to give. In other words, he is following some sort of a noncompetitive principle rather than a competitive one"?

Mr. FAIRLESS. That isn't my quotation.

Mr. WOODEN. But the Corporation quoted it from the N. R. A. report, didn't it?

Mr. FAIRLESS. If it is in the report I assume we did.

Mr. WOODEN. Well, how do you reconcile your putting forward that quotation in your pamphlet with the statement that you have just made, that for one competitor to make a lower delivered price than another is a competitive condition?

¹ Appendix, pp. 14619 ff.

Mr. FAIRLESS. Mr. Chairman, I believe that this particular quotation is clothed in the language of the economists, and I think I have testified before this committee previously that I am not an economist and I don't at any time pose as one, and therefore I have no comments to make on this particular quotation.

Mr. WOODEN. But that's the statement of the Corporation, isn't it, by quoting the N. R. A. report to that effect?

Mr. FAIRLESS. I am not questioning the statement if it is in our exhibit—and I assume it is. I haven't read it completely.

Mr. WOODEN. Now I also recall that you testified yesterday afternoon that you agreed with Mr. Gregg, vice president of your company, when he testified that if the basing point system were fully operative there would be no competition in price. Is that correct?

Mr. FAIRLESS. That is not correct.

Mr. WOODEN. What is your position with reference to that?

Mr. FAIRLESS. My position in respect to Mr. Gregg's testimony, is first, that I am not responsible for his testimony. I haven't it before me, and I don't believe it's fair, and I think the committee will agree that it is decidedly unfair to take from any witness' testimony just a part or a paragraph or a phrase that you care to use in any way that you choose, and it seems to me that if this committee is going to pass any opinion in respect to Mr. Gregg's testimony, it should have Mr. Gregg's entire testimony.

In respect to my agreeing, agreeing to what?

Mr. WOODEN. Here is what I read from the Gregg testimony before the Senate Committee on Interstate Commerce in 1936. The chairman asked the question: "So that if the plan is followed," referring to the basing point system, "there is no competition so far as price is concerned."

"Mr. GREGG. On the contrary there is competition. To answer your question specifically, if that plan were universally followed there would be no competition insofar as one element of competition is concerned, namely, price."

Mr. FAIRLESS. My contention is that competition exists even although two or more companies arrive at the same price or have identical bids, providing, of course, that the conclusion is arrived at legally. It seems to me that when two or more companies are interested in getting a piece of business, tonnage, a contract, that has to do with steel, you immediately have competition. The fact that each of those companies has announced prices to the public certainly prevents them from charging any price that they might choose to charge.

Mr. WOODEN. Didn't you—

Mr. FAIRLESS. Pardon me while I answer. Therefore, the ceiling has been established. Now competition begins.

Competition is a very broad term, gentlemen, as you know. We steel people, probably wrongly, but simply because it has been the practice, generally refer to competition as meaning price and refer to it in that manner. Competition, of course, has many factors other than price. To begin with, these various companies are in competition when they name their base prices. United States Steel Corporation can't name as a base price for steel products in Chicago or Pittsburgh or Birmingham any price—

Mr. WOODEN. Pardon me—

Mr. FAIRLESS. I am trying to answer your question.

Mr. WOODEN. I don't think you have; either you have or you haven't.

Mr. FAIRLESS. Mr. Chairman.

Mr. WOODEN. Mr. Chairman.

Acting Chairman O'CONNELL. What was the question?

Mr. WOODEN. I will have to read it; but since we have the interruption, I think there ought to be, even in this informal forum, some degree of control over what a witness may say and when he may say it. I haven't any objection to anything being said at any time, but for the witness to start making a long speech in justification of the system as a whole rather than answering a particular question seems to me out of place.

Acting Chairman O'CONNELL. The committee have at all times given witnesses a reasonable degree of latitude and I don't believe that this witness has intentionally or unintentionally taken advantage of the latitude we have given.

Specifically, the question as I recall it was a rather broad one and I think Mr. Fairless under the circumstances was answering it at that length. On the other hand, I think Mr. Fairless would agree that it is necessary so far as is possible to limit his answers to the question asked so that the examiner may have an opportunity to develop whatever he wants to develop along the lines he has theretofore laid out.

Mr. FAIRLESS. Yes; I agree, Mr. Chairman, except I do not intend to submit myself to answer questions in just the way that the examiner would like to have them answered.

Mr. WOODEN. I think we had better read the question and see where we are.

Acting Chairman O'CONNELL. I think you can repeat it and see if he understands the question.

Mr. WOODEN. It was with reference to his testimony yesterday afternoon. I asked him if he hadn't testified he agreed with Mr. Gregg in saying that if the system were universally followed, that there would be no price competition. I think the record will speak for itself on that.

Mr. FAIRLESS. I am trying to answer the question, Mr. Chairman.

Acting Chairman O'CONNELL. Maybe I can shorten this a bit. My understanding of what you said yesterday was that if the system operated to perfection and all companies charged their own base prices or the base prices of others where others had established the base price, that in that theoretical situation—you call it theoretical because you don't believe it works—in that situation there would be as you put it a one-price situation and no price competition.

Mr. FAIRLESS. No; I didn't say it like that, and I at no time meant to say that. To begin with, I have said not once but several times during my testimony—and the record speaks for itself—that the multiple-basing-point system was simply a vehicle designed for the purpose of merchandising the various steel products of the steel industry. It was never designed, and it certainly isn't used, for the purpose of arriving at base prices or delivered prices or anything having to do with prices.

Acting Chairman O'CONNELL. If I may interrupt, the design isn't what I am talking about. I would be perfectly willing to concede it might have been designed as a method of merchandising steel, but

it is also possible that a thing designed for one purpose may result in something else.

Mr. FAIRLESS. What I did say, Mr. Chairman, was this, that if all steel companies—if all steel companies—had basing points and posted their base prices, which to begin with is a competitive situation, but if they did post their prices and they did quote in respect to steel tonnage in a particular territory, or any territory, and they used the nearest basing point and applied the base price that had been published by the company that governed or controlled that basing point, and added all the charges, extras and all the transportation charges, obviously there would be a uniform price arrived at, but that doesn't mean that that would not still be a competitive price so far as competition is concerned, because the basis to begin with, the base price, was competitive, bound to be competitive.

Mr. REYNDERS. Would you explain that, because it seems to me the base price necessarily is the lowest base price that any competitor submits; that is, automatically when a steel maker publishes a price that is lower than has existed, all competitors must come down to that level or they may be overloaded, but whatever happens it will be a uniform one because it will be the lowest price which any competitor is willing to post.

Mr. FAIRLESS. Eventually; yes.

Mr. REYNDERS. Now that is the one situation. Now with that forming a ceiling, then I think the question whether there may result uniform prices may legitimately occur on a rising market, that is where the demand exceeds the supply, then you are limited by your ceiling which had formerly been established automatically on the same level.

Mr. WOODEN. Well, the basing-point system, Mr. Fairless, has been the system used in the steel industry, has it not, as a method of quoting—making—prices?

Mr. FAIRLESS. The basing-point system has been in vogue in the steel industry since—I don't know how long; many years.

Mr. WOODEN. Before your day?

Mr. FAIRLESS. That is right.

Mr. WOODEN. Now referring to the matter of the base price, how does the Corporation determine what base prices it will publish and adopt?

Mr. FAIRLESS. It is all a matter of record in my testimony here, my previous testimony. Do you want that all repeated?

Mr. WOODEN. No; I will ask you a little more specifically: To what extent does the Corporation figure its base prices based on its cost of production at various mills?

Mr. FAIRLESS. To begin with, the United States Steel Corporation doesn't announce base prices at all.

Mr. WOODEN. I mean its subsidiaries.

Mr. FAIRLESS. The base prices are announced by the subsidiary companies and those prices are arrived at by very careful study by the subsidiary involved. The cost of manufacture of the product or products is one factor which is given very careful consideration. Competition in respect to the particular product or products involved is also given very careful consideration. Now that competition comes from within and also from without this industry. The subsidiary before announcing prices not only considers the competition that it

has from the industry, but it also considers competing products and competing terms.

Another factor that is given very careful consideration is the market itself, supply, demand, at the time of the posting of those base prices.

Mr. WOODEN. Do the Corporation subsidiaries or their representatives exchange views with competitors with regard to base prices?

Mr. FAIRLESS. Exchange views?

Mr. WOODEN. Yes. Consult with competitors with regard to base prices.

Mr. FAIRLESS. Not consult; no.

Mr. WOODEN. Have you informed competitors of what base prices you were considering announcing?

Mr. FAIRLESS. Inform them?

Mr. WOODEN. Yes.

Mr. FAIRLESS. Officially inform them?

Mr. WOODEN. Any way, unofficially or otherwise.

Mr. FAIRLESS. Not to my knowledge.

Mr. WOODEN. Mr. Adams, have you known of instances where subsidiaries of the United States Steel Corporation have exchanged information with representatives of other companies concerning base prices?

Mr. ADAMS. No, sir.

Mr. WOODEN. Not even during the code period?

Mr. ADAMS. I wasn't in the steel industry during the code period. I can't speak for that particular time.

Mr. WOODEN. Mr. Adams, do you know a man by the name of A. A. Dorenbusch?

Mr. ADAMS. I don't recall that man at this particular moment.

Mr. WOODEN. Do you know pretty widely the personnel of the sales officials of various companies in the steel industry?

Mr. ADAMS. I know quite a few of them; yes. As I stated yesterday, I was out of the industry from 1928 to 1936. From July 1, 1936, to December 1, 1938, I was manager of sheet sales for Carnegie-Illinois, a subsidiary of the United States Steel Corporation.

Mr. WOODEN. Have there been any meetings attended by representatives of various steel companies that you are aware of at which base prices were discussed?

Acting Chairman O'CONNELL. During what period do you refer to?

Mr. WOODEN. Since he has been in the industry; since 1936.

Mr. ADAMS. As manager of sales of the sheet division of Carnegie-Illinois I would have no authority at all to discuss base prices except with my own superior officers.

Mr. WOODEN. Well, have you done so? Have you attended any meetings or discussed matters of base price with competitors?

Mr. ADAMS. I think, Mr. Wooden, that that subject was covered at our hearing here in November, that it was exhausted at that time, that question was asked and was answered at that time.

Mr. WOODEN. And the answer is in the negative, is it?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Mr. Fairless, you testified here in November¹ to the effect that you didn't hesitate to exchange opinions with a competitor about the base price of sheets, for instance, if some com-

¹ Mr. Fairless' testimony in November appears in Hearings, Parts 19 and 20.

petitor asked you what the base price was, that you didn't hesitate to tell him.

Mr. FAIRLESS. I gave no such testimony. In my testimony there was no discussion of that. Did you read that in my testimony?

Mr. WOODEN. I did.

Mr. FAIRLESS. I would like to have it produced.

Mr. WOODEN. We will come back to that in a moment. Mr. Chairman, I have here a copy of a letter dated August 17, 1935, written by one A. A. Dorenbusch, general manager of sales of the Newport Rolling Mill Co. and the Andrews Steel Co., which are affiliated concerns. The letter was written by Mr. Dorenbusch to Mr. A. K. Andrews, temporarily in Ontario, Canada, and I should like to offer it for the record at this time.

Acting Chairman O'CONNELL. According to the procedure of this Committee, Mr. Wooden, it would be necessary that that letter be identified by the author or someone in a position to so identify it, unless it has already been produced as a public record. Has it been a public record somewhere else?

Mr. WOODEN. It hasn't been produced, Mr. Chairman, as a public record. I understood that unless a document was challenged as to its authenticity that the procedure here would permit the reception of it.

Acting Chairman O'CONNELL. That is not true, as I understand it. We had the same difficulty during the hearing within the past month, and the chairman ruled that until some means was found of identifying the exhibits of that nature, we would not permit them in the record.

Mr. WOODEN. I might say in further support of the authenticity of the document that it was obtained by a representative of the Department of Justice, from the files of the Andrews Steel Co., and that representative interviewed the author of the document about it.

Acting Chairman O'CONNELL. I don't want to be too technical, but if it is sufficiently important that you want that introduced into the record, I think that as a minimum the man from the Department of Justice who obtained the letter should be brought and put on the stand to identify the letter. I think that is entirely in accordance with the ruling Senator O'Mahoney made during the investment banking hearing, and I have no desire to deviate from that policy.

Mr. WOODEN. I have here a photograph of a public advertisement put out by the Republic Steel Corporation which gives a map showing the location of basing points for various products, and a key list showing the basing points for each particular product as announced up to August 1, 1938. I assume that there will be no objection from the witnesses to accepting that as what it purports to be, and—

Acting Chairman O'CONNELL (interposing). I think—

Mr. FAIRLESS (interposing). Mr. Chairman, we have all the information in respect to basing points, where they exist, and so forth, and this is, after all, the United States Steel Corporation hearing, isn't it?

Mr. WOODEN. No; it is a hearing on basing-point systems.

Acting Chairman O'CONNELL. If you want that put in the record it will be admitted.

Mr. WOODEN. That's what I wish to do, your honor. I would like to have it admitted as an exhibit.

(The map referred to was marked "Exhibit No. 2199" and is included in the appendix facing p. 14428.)

Mr. WOODEN. According to this, "Exhibit No. 2199," showing the basing points up to August 1, 1938, there were only three basing points on pipe, one at Pittsburgh, one at Gary, Ind., and the third at Lorain, Ohio. Is that correct?

Mr. FAIRLESS. Mr. Adams, is that correct?

Mr. ADAMS. I think that's correct.

Mr. WOODEN. Now there are important producers of pipe, are there not, at other points than those three?

Mr. ADAMS. What kind of pipe was referred to?

Mr. WOODEN. It simply says steel pipe.

Mr. ADAMS. What was your next question, Mr. Wooden?

Mr. WOODEN. There are other important producers of pipe, are there not, besides those located at those three basing points?

Acting Chairman O'CONNELL. What are the three basing points? I wasn't following.

Mr. WOODEN. Pittsburgh, Gary, Ind., and Lorain, Ohio.

Mr. FAIRLESS. There are very few.

Mr. WOODEN. There is an important producer at Sparrows Point, is there not?

Mr. FAIRLESS. No, sir.

Mr. WOODEN. Don't they have the capacity to produce that?

Mr. FAIRLESS. It all depends on what you are talking about. Are you talking about seamless pipe, butt-weld pipe, or standard pipe?

Mr. WOODEN. What is the character of pipe that is based on Pittsburgh, Gary, and Lorain?

Mr. FAIRLESS. Largely seamless, which is not made at Sparrows Point.

Mr. WOODEN. And what is this Toncan iron pipe, with only one basing point?

Mr. FAIRLESS. Only one company makes it, only one producer.

Mr. WOODEN. This diagram shows that, for instance, on nails, staples, wire, and barbed wire, the basing points are at Pittsburgh, Chicago, Duluth, Minn., and the other points are all Gulf ports or Pacific Coast points. Is that correct?

Mr. FAIRLESS. Well, I am assuming that the—that's the only reason I objected to the introduction of another corporation's data. I assume that it is correct.

Mr. ADAMS. Well, that isn't correct, because Birmingham is a basing point.

Mr. DAVIS. Mr. Fairless, you said that you had full information about basing points. That being true, why can't you answer the question as to whether these are correct or not correct?

Mr. FAIRLESS. There are a multiplicity of basing points, and I didn't say that I had all that information.

Mr. DAVIS. That's the point—we want to get the facts with respect to the basing points. They are not all identical as to products, of course. There is a large number of basing points for a large number of products, but they are not all identical, of course, as the general public sometimes believes.

Mr. FAIRLESS. Well, Judge Davis, we have presented to this Committee, and it accepted, full and complete information in respect to all basing points, for all principal products. It is a matter of record of this Committee.

Mr. DAVIS. The Committee has received them, yes—not accepted necessarily, but received them for the record.

Mr. FAIRLESS. They have, I think, the information.

Mr. DAVIS. Mr. Wooden has a right to examine.

Mr. WOODEN. Yesterday afternoon you sought to give the impression that basing points existed at almost every point of production for each product, and I want to show, if you will permit me, that there are some important products that the basing points are rather limited in number. Isn't that true?

Mr. FAIRLESS. I ask for examples.

Mr. WOODEN. I have given you examples. What about nails, staples, woven-wire fence, bale ties, and barbed wire? Aren't the only basing points recognized in the industry, namely, at Pittsburgh, Chicago, Birmingham—no; not Birmingham.

Mr. ADAMS. Yes; Birmingham is.

Mr. WOODEN. It isn't listed here.

Mr. FAIRLESS. That is an example.

Mr. ADAMS. Birmingham is a basing point and so is Worcester, so those are two omitted basing points.

Mr. WOODEN. Since when?

Acting Chairman O'CONNELL. What is the date of that, Mr. Wooden?

Mr. WOODEN. It is supposed to bring the basing points down to date, up to August 1, 1938. The date of publication of the advertisement I don't think shows on here.

Acting Chairman O'CONNELL. Haven't there been some additional basing points established since 1938?

Mr. FAIRLESS. Mr. Chairman, I am not trying to be technical and I am at all times trying to be helpful to move along as rapidly as we can, but doesn't it seem ridiculous to take an advertisement as the basis for developing the basing points of the steel industry and the various products involved when our group here have spent the greater part of a year and a half in getting the up-to-date, accurate data and information and are here ready to present it to you?

Mr. DAVIS. Mr. Fairless, will you please state for the record upon your own responsibility all of the basing points for the products mentioned?

Mr. FAIRLESS. You mean for me to give them verbally?

Mr. DAVIS. Yes.

Mr. FAIRLESS. No, I can't do that.

Mr. DAVIS. Haven't you any of your numerous assistants around you who are familiar with that information?

Mr. FAIRLESS. I can't name—

Mr. ADAMS (interposing). Judge Davis, yesterday I testified that there are 52 basing points.

Mr. DAVIS. Yes, but you know full well, Mr. Adams, and we do, that those are not 52 basing points for all of the steel products.

Mr. ADAMS. I so testified yesterday, and I also testified that if those 52 basing points were multiplied by the various products you would have considerably over 100 different basing point prices.

Mr. DAVIS. Just—

Mr. ADAMS (interposing). Just a second, please. In the steel industry we have 24 different classifications of steel products, that is, the United States Steel Corporation makes 24 different lines of steel

products. Now those lines are broken down again by various items. When you say pipe you are speaking about innumerable different types of pipe. Now this advertisement was dated August 1, 1938. We have found two mistakes in it, Birmingham and Worcester, and since that date unquestionably there have been some basing points added. We can testify that——

Mr. DAVIS (interposing). When?

Mr. ADAMS. —that we have basing point prices at all of our production points with the exception of a few, and we can name those exceptions.

Mr. DAVIS. When was Birmingham made a basing point, when you eliminated that \$3 differential?

Mr. ADAMS. The differential itself was eliminated June 24, 1938.

Mr. DAVIS. And that was when Birmingham was made a basing point?

Mr. ADAMS. On what?

Mr. DAVIS. On what you are talking about. You raised the question.

Mr. WOODEN. Nails and barbed wire. When did Birmingham become a basing point on nails and barbed wire?

Mr. FAIRLESS. I believe it became a basing point on those products at the time they began to manufacture them.

Mr. WOODEN. When was that?

Mr. FAIRLESS. I haven't the definite date.

Mr. WOODEN. Has it been since July 1938?

Mr. FAIRLESS. I haven't the definite date.

Mr. WOODEN. Can't you say whether it has been since then?

Mr. FAIRLESS. I can't say unless I know.

Mr. WOODEN. What are the basing points on tin plate? Either of you.

Mr. ADAMS. Pittsburgh and Gary where we produce tin plate.

Mr. WOODEN. What about Granite City? There is one there?

Mr. ADAMS. In the spring of 1937 Granite City announced or notified their trade that on their products there would be a differential of 10 cents above the published base prices of Carnegie-Illinois at Gary and at Pittsburgh.

Mr. WOODEN. Then becoming a basing point?

Mr. ADAMS. Sir?

Mr. WOODEN. And by that becoming a basing point?

Mr. ADAMS. If you want to look at it in that way, yes; there is a differential above the Pittsburgh and Chicago base prices of our company. That is an example of a company announcing a lower base price.

Mr. WOODEN. Now there are only three basing points on tin plate. Is that right?

Mr. ADAMS. If you consider Granite City a basing point on tin plate——

Mr. WOODEN (interposing). And only two otherwise.

Mr. ADAMS. The answer is yes.

Mr. WOODEN. There are other points of production of tin plate that are not basing points, are there not?

Mr. ADAMS. Yes.

Mr. WOODEN. What companies, and where?

Mr. ADAMS. One of our subsidiaries, the Tennessee Coal, Iron & Railroad Co., produces tin plate at Birmingham.

Mr. WOODEN. What competitive companies produce tin plate and where?

Mr. ADAMS. Well, there are a number of companies that produce tin plate. We are testifying for our own company.

Mr. WOODEN. You know the industry well enough to know what companies produce tin plate besides yourself, don't you?

Mr. ADAMS. Well, we know that Bethlehem produces tin plate. Also Republic.

Mr. WOODEN. Tell us where?

Mr. ADAMS. Bethlehem and Republic.

Acting Chairman O'CONNELL. Where do those two companies produce tin plate, do you happen to know?

Mr. FAIRLESS. Republic at Warren, Ohio, and Bethlehem at Sparrows Point.

Mr. WOODEN. Pittsburgh is the only basing point for tin plate, then, in the eastern section of the country, isn't it?

Mr. ADAMS. That is correct.

Mr. WOODEN. The prices for tin plate in the eastern part of the country are all based on Pittsburgh as a basing point, are they not?

Mr. ADAMS. Well, we quote delivered prices.

Mr. WOODEN. Based on Pittsburgh.

Mr. ADAMS. We announce a price at Pittsburgh, base delivered price at Pittsburgh.

Mr. WOODEN. And the delivered prices in the eastern part of the country are the equivalent of Pittsburgh plus freight, all rail freight, to destination, are they not?

Mr. ADAMS. Our price is composed of our published base delivered price plus our transportation cost to destination, providing we don't have to deviate from that price level.

Mr. WOODEN. And the Bethlehem Co. producing tin plate at Sparrows Point, if and when it follows the basing point system, adds the freight from Pittsburgh right to Sparrows Point or Baltimore when it is selling in that locality, does it not?

Mr. ADAMS. I can't testify for the Bethlehem Steel Co. as to what prices they would quote on tin plate.

Mr. WOODEN. Don't you know that the basing point system contemplates that it will do so?

Mr. ADAMS. We have testified that the basing point system is a vehicle for merchandising our products, that it works every hour of the day, and that it does not promote uniform prices.

Mr. DAVIS. Mr. Adams, regardless of how you acquire them, as a matter of fact does your company not acquire the price quotations of your competitors and have them on hand all the time?

Mr. ADAMS. We would not be doing our job if we were not familiar with the published prices of our competitors.¹

Mr. DAVIS. Well, in fact you are familiar with them, are you not? You know what their published prices are.

Mr. ADAMS. Why, certainly.

Mr. DAVIS. And don't you know when they deviate from them unless they are secret rebates? Don't you keep up with that?

¹ Further testimony on this subject appears *infra*, p. 14197 et seq.

Mr. ADAMS. We don't believe that there are any secret rebates in the steel industry, but it is certainly the responsibility of our salesmen to keep us informed regarding variations in price in the field, at the points of consumption.

Mr. DAVIS. In other words, as a matter of fact in actual practice you have on hand and keep up with the quoted prices of your competitors and whether or not they are deviating from those quoted prices, as I understand it.

Mr. ADAMS. As nearly as we can keep up to date, with reference to the prices which our competitors quote at points of delivery, we do that, and certainly make every effort to do it every day of the week.

Mr. WOODEN. Then you know whether or not Bethlehem Corporation, for instance, is maintaining the price in the eastern part of the country, don't you?

Mr. ADAMS. Within our ability to ascertain that fact we do.

Mr. WOODEN. And don't you find that the price is ordinarily maintained on the basis of Pittsburgh base price plus freight to destination?

Mr. ADAMS. Are you talking tin plate now?

Mr. WOODEN. Yes, yes.

Mr. ADAMS. I don't know that one can answer that in terms of "ordinarily." We know that the prices of tin plate have fluctuated over a period of time. We have already testified as to the deviations or the fluctuations in the price of tin plate over the last 3 years.

Mr. WOODEN. Didn't you hear Mr. Grace's testimony here before this committee that he followed the prices of the Steel Corporation subsidiaries on tin plate?

Mr. ADAMS. I didn't hear Mr. Grace's testimony. I wasn't in the room that particular day. I would say that when the subsidiary companies of the United States Steel Corporation publish a price that that is the ceiling price and that the Bethlehem Steel Co. couldn't expect to make a serious attempt to get that business at any higher price. Now I can't testify as to the extent that the Bethlehem Steel Co. would reduce their prices below our published prices.

Mr. WOODEN. Did you read Mr. Grace's testimony?

Mr. FAIRLESS. I did, Mr. Wooden.

Mr. WOODEN. Didn't he testify that he followed the prices, the base prices of the Steel Corporation subsidiaries as announced?

Mr. FAIRLESS. We are discussing tin-plate, I believe. Mr. Grace made the statement—it so reads in his testimony—that his company did vary from their announced prices in respect to tin plate. It is a matter of record.

Mr. WOODEN. Didn't he also testify, and didn't the American Can Co. officials testify, that the other companies followed the announced prices of the Steel Corporation's subsidiaries on tin plate?

Mr. FAIRLESS. In about 2 minutes I believe I could unfold the entire method of selling tin plate.

Mr. WOODEN. I am directing your attention to what you heard and what you read.

Mr. FAIRLESS. If the committee is interested. You have it, of course; it is all a matter of record.

Mr. WOODEN. I am asking your recollection of the testimony.

Mr. FAIRLESS. Well, I am not going to attempt to recall the testimony. I am here to give testimony and answer any questions you ask me if I can.

Mr. WOODEN. What is the difference between the way tin plate delivered prices are calculated on Pittsburgh for the eastern part of the United States and the way various steel products were calculated on a Pittsburgh plus basis back some years ago?

Mr. FAIRLESS. Well, I can't answer that except to tell you and tell the committee, rather, how our tin plate sales are handled. We produce tin plate at three points, at four points in the United States, Pittsburgh, Chicago, Birmingham, and Pittsburg, Calif. Our production at Pittsburg, Calif. is very small. It is largely at the other three points. We have basing points in Chicago and Pittsburgh. We have not as yet established a basing point in Birmingham, for this reason: We began the operation of that plant just a year ago, there is very little tin plate business in the Birmingham district except that which is controlled by the two large can companies. The Carnegie-Illinois Steel Corporation had contracts and has contracts with both of those companies, so in order to get Birmingham under production and under way and give it an opportunity to prove its quality and the many other things that are involved in the manufacture of this very sensitive product, the Carnegie-Illinois Steel Corporation with the consent of these two companies with which it had contracts, allocated to Birmingham a certain amount of that business for production, and that is the only business that has been produced at Birmingham since the mill went into operation. Therefore, no basing point has been established and our policy in respect to that has not definitely been established as yet.

Mr. WOODEN. Is the price of tin plate in Birmingham based on Pittsburgh plus freight from Pittsburgh?

(Senator King assumed the Chair.)

Mr. FAIRLESS. Well, I don't believe there is any tin plate sold in Birmingham, or used in Birmingham. If there is, it is just a very few base boxes.

Mr. WOODEN. Is there any tin plate sold or used in the southeastern part of the United States?

Mr. FAIRLESS. Yes.

Mr. WOODEN. Are the prices on tin plate delivered to those places in the southeastern part of the country the equivalent of Pittsburgh base price plus freight from Pittsburgh?

Mr. FAIRLESS. All-rail freight?

Mr. WOODEN. Yes.

Mr. FAIRLESS. No, sir; not in all cases.

Mr. WOODEN. Are they the equivalent of Pittsburgh base price plus rail and water freight in some cases?

Mr. FAIRLESS. And water in others.

Mr. WOODEN. Yes. Is that right?

Mr. FAIRLESS. That is right.

Mr. WOODEN. Pittsburgh is the single basing point for tin plate in the eastern part of the United States. Isn't that correct?

Mr. FAIRLESS. It is the only point at which we make tin plate in the eastern part of the United States.

Mr. WOODEN. And isn't it the only basing point for the whole industry in the eastern part of the United States?

Mr. FAIRLESS. I can't answer that.

Mr. WOODEN. Can you answer it, Mr. Adams?

Mr. ADAMS. I can only testify for our company.

Mr. WOODEN. And do you mean to say that you don't know whether Pittsburgh is the only basing point for the quotation of tin plate in the eastern part of the United States?

Mr. FAIRLESS. Well, I can answer that, Mr. Adams. So far as any other public announcement of any basing point for tin plate in the eastern United States, Pittsburgh is the only one. But that does not mean, Mr. Chairman, that mills producing tin plate do not sell tin plate on the basis of their own production point, and we wouldn't know, we have no way of knowing that. Most of our tin plate is sold to two customers, except for export plate, and sales to those two are made on a contractual basis, and the conditions and terms of those contracts are known to this Committee.

Mr. DAVIS. Didn't you gentlemen say that you received and kept up with and observed the price quotations of your competitors and did your best to keep up with whether or not they deviated from them? Isn't that correct?¹

Mr. FAIRLESS. No; it is not correct.

Mr. DAVIS. Didn't you say that, Mr. Adams?

Mr. ADAMS. I made the statement——

Mr. DAVIS. Didn't you make that statement in substance?

Mr. ADAMS. I made the statement that it is our job to ascertain what the published base prices are of our competitors, and further than that I said that it was our job to ascertain to what extent the delivered prices fluctuated from time to time. That is a measurement of competition. That's part of a salesman's job. Now when Mr. Wooden asks a question as to whether or not there are any other base prices in the eastern part of the United States on tin plate, we have to say that we don't know, to make an honest statement covering all situations. Now if he asks a question as to whether there are any published base prices in the eastern part of the United States other than Pittsburgh, we have to reply that we publish a base delivered price on tin plate in Pittsburgh. We don't know of any other published base prices on tin plate in the eastern part of the United States, but as Mr. Fairless testified, we don't know accurately. We can't speak for the Bethlehem Steel Corporation, or any other corporation here, right down to the last transaction, as to whether or not they are quoting prices on their own producing points or prices that approximate that.

Mr. WOODEN. Well, you know——

Mr. DAVIS (interposing). Do you have in your files the Bethlehem quotations on prices on tin plate?

Mr. ADAMS. We wouldn't have in our file the Bethlehem quotations on tin plate. No.

Mr. FAIRLESS. Certainly not.

Mr. ADAMS. How would we secure such quotations?

Mr. DAVIS. Their price list?

Mr. FAIRLESS. We might wish we had, Judge Davis.

Mr. WOODEN. You know their published prices, do you not?

Mr. DAVIS. Their published prices, if you want to quibble over terms.

Mr. ADAMS. Judge Davis, we don't want to quibble over terms.

¹ See p. 14196, *supra*.

Mr. DAVIS. I think that you are——

Acting Chairman KING (interposing). Let's ask the question and proceed.

Mr. DAVIS. I will refrain from saying what I think.

Acting Chairman KING. Proceed.

Mr. DAVIS. Haven't you already admitted that you did obtain, we'll say, the published price quotations of your competitors?

Mr. ADAMS. Certainly.

Mr. DAVIS. And kept them and observed them?

Mr. FAIRLESS. No, we didn't say that.

Mr. ADAMS. Let us get this straight. We try to secure it. Let us say that we do secure a list, if you please, by some method, of all of the published prices of our competitors. Now we secure that from trade journals if they are published in trade journals.

Mr. DAVIS. Are they not always published in trade journals? Do not the companies always publish—are there not published in the trade journals in the industry the prices?

Mr. ADAMS. If there are 30 companies manufacturing sheets, I would say that their prices are certainly not all published in trade journals. There are a few of the larger companies that do publish their prices and those publications get in the trade journals, but there is a vast distinction between a published base price and a quotation, Judge Davis, and when you ask me if we have a record of the Bethlehem Steel Co.'s quotations, I certainly must answer in the negative.

Mr. DAVIS. Do you ever see any of their quotations?

Mr. ADAMS. Certainly we see some of their quotations.

Mr. DAVIS. You see those and you see their prices published in the trade journals, do you not?

Mr. ADAMS. We see their published prices in the trade journals.

Mr. DAVIS. Now——

Mr. ADAMS (interposing). Let me answer your question so that it won't be misinterpreted. When I say we receive quotations of the Bethlehem Steel Co., I have to restrict that to a very, very few cases where we become so friendly with the buyer that he says, "Here is the quotation that the Bethlehem Steel Corporation has made." Now are you seriously interested in securing our business, and if so, will you reduce your price level to a point where you would take that business?"—if the quotation is below our quotation.

Now we have no large list of any quotations of the Bethlehem Steel Corporation. We probably secure one every 3 months or something like it to that extent, but we do know what their published prices are.

Mr. DAVIS. All of that is preliminary to an effort to get an answer to Mr. Wooden's question. Now have you ever observed in any of these trade journal publication of prices or any of the trade quotations that have come to your notice from the public, where they have not made a quotation on Pittsburgh plus freight from Pittsburgh to the point of delivery in the eastern United States?

Mr. FAIRLESS. Still talking tin plate, Judge Davis?

Mr. DAVIS. Yes.

Mr. ADAMS. We have testified for the record that the price——

Mr. DAVIS (interposing). I would like for you to first answer my question and then you can make your explanation.

Mr. ADAMS. Well, I can't very well answer it without stating our position. We have testified that the prices of tin plate have deviated

or fluctuated over the period of the last few years. There have been reductions in the price of tin plate.

Mr. WOODEN. Take some particular quarter when an announced price is out. Haven't you found, haven't you made it a business to find out whether the delivered prices in the eastern part of the United States are the equivalent of Pittsburgh plus freight to destination?

Mr. ADAMS. We have made it a part of our job to ascertain, yes, what the delivered prices were.

Mr. WOODEN. And aren't the delivered prices of tin plate in the eastern United States the equivalent of Pittsburgh base price plus freight to destination?

Mr. ADAMS. Not in all cases; no, sir.

Mr. WOODEN. In most cases?

Mr. FAIRLESS. Absolutely not.

Mr. ADAMS. No, sir; we can't make a statement to that effect.

Mr. WOODEN. Is it true in some cases?

Mr. ADAMS. Why, I assume that it would be true in some cases that the price on tin plate in the eastern part of the United States would be equal to our published price at Pittsburgh plus our transportation costs but by the same token I want to make the point that that covers a few cases or some cases——

Mr. WOODEN (interposing). And you don't know what proportion of the business it applies to?

Mr. ADAMS. No, sir; I do not know what proportion of the business it applies to.

Mr. DAVIS. Will you prepare and present for the record a detailed explanation of any deviations within the past 12 months by your company or any other company from the Pittsburgh plus prices in the eastern United States?

Acting Chairman KING. Just for my own information, how would he ascertain from other companies——

Mr. DAVIS (interposing). Any of which he has knowledge, his own company or subsidiaries, or any of his competitors of which he has knowledge.

Mr. WOODEN. He says he makes a business of finding out what competitors do.

Mr. FAIRLESS. Mr. Chairman, we are given credit for knowing entirely too much about what goes on in the steel business.

Mr. BALLINGER. You said there are no secrets in the steel business.

Mr. FAIRLESS. Mr. Chairman, I wish that we did know exactly the basis upon which every base box of tin plate was sold in the eastern part of the United States——

Mr. WOODEN (interposing). Or any other part of the United States.

Mr. DAVIS. Mr. Fairless, I said of which you had knowledge. I restricted it to your own company and its subsidiaries, and affiliates.

Mr. FAIRLESS. Well, I can answer——

Mr. DAVIS (interposing). And of your competitors which has come to your knowledge, and the reason I put that in was because Mr. Adams suggested that there had been deviations.

Mr. FAIRLESS. Well, Judge Davis, I would have to answer that question for our Corporation in this way. We know exactly how we sell our tin plate in the eastern part of the United States—we know exactly. We have no definite information in respect to how any other

company sells its tin plate. Our salesmen hear that a customer is buying tin plate for such and such a price, and it may or may not be true. To make a statement as definite as you are asking for in respect to the prices at which competitors of the United States Steel Corporation sell their products is just asking for something we can't give you.

Mr. DAVIS. Will you prepare and file that information with respect to your own company and its own subsidiaries?

Mr. FAIRLESS. File it? File what?

Acting Chairman KING. The statement, as I understand it, of deviations——

Mr. DAVIS (interposing). Showing any deviations within the past 12 months from the Pittsburgh price——

Mr. FAIRLESS (interposing). Plus all rail freight to destination. Is that your question?

Mr. DAVIS. All rail or rail and water transportation to point of delivery in the eastern United States.

Mr. FAIRLESS. Can we furnish that information?

Mr. DAVIS. Yes, and will you? I know you can do it. Will you?

Mr. FAIRLESS. What is the point? Does the committee want this information?

Mr. REYNDERS. Isn't that giving out a lot of trade information in regard to their own company without corresponding information from competitors? It seems to me that is going far afield when you ask them to give out all their quotations.

Mr. DAVIS. These gentlemen are insisting that there are many deviations from the application of the basing point system, and I think that this committee is entitled to know to what extent there are exceptions. They are the ones that persist in stating the exceptions, and I think the committee has a right to know the extent of those exceptions, and I don't think that prices made upon goods that have been sold is any trade secret, and that they are entitled to keep it from this committee or the public generally.

Mr. FAIRLESS. Mr. Chairman, in respect to tin plate the United States Steel Corporation sells, exclusive of export, a very high percentage, a very high percentage of its plate to two people, to two customers, the American Can Co. and the Continental Can Co. Our transactions with both of those companies are governed by contracts. All the terms and conditions having to do with price, delivery, cash discount and all the features of sale, are parts of those contracts, and Government representatives in getting information relative to these hearings saw those contracts and read them.

Now, I don't know what further information we can give. You talk about delivery of tin plate by the United States Steel Corporation in the eastern part of the United States. It is largely to those two customers.

Mr. WOODEN. How many other customers do you have?

Mr. FAIRLESS. Very few.

Mr. WOODEN. How many?

Mr. FAIRLESS. I don't know.

Mr. WOODEN. How many, approximately. As against two, do you have as many as ten others?

Mr. FAIRLESS. My answer is, I don't know the number of customers. The tonnage that we sell to customers other than these two is a very, very small percentage of our total.

Mr. WOODEN. Do you sell tin plate to jobbers?

Mr. FAIRLESS. Some.

Mr. WOODEN. You have a good many jobber customers on tin plate in the eastern part of the United States, don't you?

Mr. FAIRLESS. No; we do not.

Mr. ADAMS. Very few.

Mr. WOODEN. What do you mean by very few. Do you have 100?

Mr. ADAMS. No, sir.

Mr. WOODEN. Fifty?

Mr. ADAMS. No, sir.

Mr. WOODEN. Twenty?

Mr. ADAMS. We might have sold a few boxes of tin plate.

Mr. WOODEN. Do you have many tin plate jobbers in the eastern part of the United States?

Mr. ADAMS. I don't think so.

Mr. WOODEN. Do you have as many as 10?

Mr. ADAMS. I don't think we have 10.

Mr. WOODEN. How many do you have?

Mr. ADAMS. I would say offhand perhaps four or five jobbers of tin plate in the eastern part of the country.

Mr. WOODEN. Do you deviate from Pittsburgh plus on sales to those customers?

Mr. ADAMS. We don't sell on Pittsburgh plus, we sell on a delivered price basis.

Mr. WOODEN. Which is the equivalent, plus freight to the destination, isn't it?

Mr. ADAMS. It is our published delivered price——

Mr. WOODEN. At Pittsburgh, plus the freight to destination.

Mr. ADAMS. Plus our transportation cost to destination, providing we don't change that price on account of a competitive situation. I have testified here that there have been deviations in tin plate, and Judge Davis said, "Will you file the list of deviations over a period of twelve months?" My testimony was that we have had deviations, and then Judge Davis said, "Then to that extent the basing-point system hasn't worked. In other words, will you file a record pointing out where the basing-point system has not worked?"

We still contend that the basing-point system is working every day, that it is simply a vehicle for merchandising our products, and that deviations in price or fluctuations in price, or a raising and lowering of the price level at the point of delivery, does not constitute a change in the basing-point system insofar as whether it works or whether it does not. The basing-point system is still a vehicle for merchandising our products, and it is working all the time.

Mr. WOODEN. Even when the delivered prices are not identical under it, do you say it is still working?

Mr. ADAMS. Certainly.

Mr. WOODEN. Does that mean that the base price is being cut or that some element in the delivery price is being cut?

Mr. ADAMS. We tried to explain that yesterday. Now, we have a chart here which we would be glad to introduce to show how we arrive at our delivered prices, to show to what extent we change those delivered prices due to the necessity to reduce them to get a piece of business in a territory closer to a competing mill than our production point. We also have on that chart figures which show that our

reductions in price on certain products exceed the reductions necessary to reduce our price to the level of the price quoted.

Mr. WOODEN. You are talking about mill net yields now, are you not?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Mill net yields are continually varying, are they not?

Mr. ADAMS. I am talking about a reduction in our delivered price.

Mr. WOODEN. Yes.

Mr. ADAMS. Brought about by two factors, and those factors in effect make it necessary for us to reduce our mill net returns.

Mr. WOODEN. You have to reduce your mill net return when you go into the territory of another basing point, do you not? You have to absorb freight and reduce your mill net return, is that correct?

Mr. ADAMS. In a great many cases that is true.

Mr. WOODEN. And you absorb the freight just to the exact amount necessary to equalize your delivered price, do you not?

Mr. ADAMS. We do not absorb freight. Freight, as I testified yesterday, has to be paid, nobody absorbs it.

Mr. WOODEN. That is a quibble, if I may say so. I agree that freight is not absorbed, but isn't that the expression that is used in the industry?

Mr. ADAMS. I think you are so familiar with this subject, Mr. Wooden, that you know that nobody absorbs any freight.

Mr. WOODEN. The freight has to be paid and it is paid by the purchaser, is it not, and deducted from the face of the invoice?

Mr. ADAMS. It depends upon the procedure followed, yes.

Mr. WOODEN. Ordinarily isn't that the case, that freight is not prepaid ordinarily by the shipper of plate?

Mr. ADAMS. That is correct.

Acting Chairman KING. And is added to the price the customer pays?

Mr. ADAMS. Yes; it is a transportation cost like the transportation cost involved in assembling our raw materials, except that this last transportation cost exceeds the transportation cost on the finished product.

Mr. WOODEN. The customer deducts the freight from the invoice and pays the railroad the full freight and remits to you the balance, does he not?

Mr. ADAMS. The customer pays the freight that is added in the transaction.

Mr. WOODEN. He pays it to the railroad.

Mr. ADAMS. We are interested—our company is interested—in the actual transportation cost.

Mr. WOODEN. The customer pays the freight to the railroad and deducts it from the face of the invoice and remits the balance to you. That is your mill net, isn't it?

Mr. ADAMS. No; our mill net is the—well, you have got adjusted freight absorption and unadjusted freight absorption which were explained yesterday.

Mr. WOODEN. Your mill net is what you get for your commodity after the freight is taken off and paid by the purchaser.

Mr. ADAMS. After the freight is taken off and after any reduction in price.

Mr. FAIRLESS. Cash discount allowance.

Mr. ADAMS. After cash discount allowance, that is the mill net.

Mr. WOODEN. The mill net represents the actual price received for the commodity.

Mr. ADAMS. Yes, sir.

Mr. FAIRLESS. That is correct.

Mr. WOODEN. I still don't understand whether we are going to have the statement of deviations from Pittsburgh plus freight to destination on tin plate for a 12-month period.

Acting Chairman KING. I understood, Mr. Fairless, that the contracts with those two large patrons would show the exact transactions between them, and you have shown those contracts. Would that answer the question or the requirement which was made by Judge Davis? Would those contracts show the deviation?

Mr. FAIRLESS. I have already stated here, Senator, that we do not in the distribution of our tin plate charge our—keep in mind that we do not make tin plate except in Pittsburgh in the East, so we begin with our producing point and our basing point in Pittsburgh.

Now, one of the questions asked, I believe, was, Do we charge our posted price for tin plate plus the all-rail charge, transportation charge, to destination in every case? My answer is "No, we do not."

Mr. DAVIS. Yes; but I modified it by saying all-rail or rail and water.

Mr. FAIRLESS. Eventually you did.

Acting Chairman KING. Make your statement, and then let him answer you.

Mr. FAIRLESS. Another question was, Do we sell any tin plate on our Pittsburgh price plus our all-rail? Certainly. Certainly we do. Then the question was asked, What percentage? I would have to go through, or cause someone to go through, all our records to develop that. In other words, we do not have that information available.

I will say that a very great percentage of our eastern tin-plate sales are sold on the basis of our announced price on tin plate.

Mr. WOODEN. Now then—

Mr. FAIRLESS (interposing). Pardon me. Now another question was asked, and much time spent on it: How do your competitors sell? I don't know. That is my answer.

Mr. WOODEN. You do know, do you not, Mr. Fairless, that Mr. Grace testified,¹ and Mr. Pfeltz, of the American Can Co., testified² that the tin-plate price announced by the Carnegie Steel Co. and the Carnegie-Illinois Steel Corp., was followed and adopted by the other tin-plate manufacturers, and that the tin-plate contract of the American Can Co. provided that it would be so accepted; isn't that a fact?

Mr. FAIRLESS. I don't believe I should be asked to review the testimony of other witnesses who appeared before this committee last November. As far as I am concerned, my own testimony is a matter of record, and I assume theirs is also.

Mr. WOODEN. Don't you know the facts to be as I stated, not what the testimony is, but aren't those the facts in the industry?

Mr. FAIRLESS. I shall relate again, if you want me to repeat, the facts pertaining to how the United States Steel Corporation subsidiary companies merchandise their tin plate.

¹ Mr. Grace's testimony appears in Hearings, Part 19.

² Mr. Pfeltz' testimony appears in Hearings, Part 20.

Mr. WOODEN. I don't want that as far as I am concerned. I do want to ask whether what I say is a fact.

Acting Chairman KING. What is the question you ask? If you can answer it categorically, do so; if you can't, say so.

Mr. WOODEN. Whether it isn't a fact that the other producers of tin plate competitive with the Corporation subsidiaries for years made contracts with the American Can Co. or other can companies providing that their price to the can companies would be the price announced by the subsidiaries of the United States Steel Corporation.

Mr. FAIRLESS. My answer to that question is, I do not know.

Mr. WOODEN. Do you know, Mr. Adams?

Mr. ADAMS. No.

Mr. O'CONNELL. Mr. Wooden, may I interrupt for a moment? It seems to me the committee being fairly familiar with the testimony of Mr. Grace and some of the other people who testified here in November, does recall that Mr. Grace did say that in general his company felt that the price announced by Carnegie-Illinois after negotiating a price with the various can companies was acceptable to his company and was what as a matter of general practice they followed. I think the committee knows that and I don't see any real reason for pressing Mr. Fairless on it. I think it is general custom in the industry with which we are familiar.

Mr. DAVIS. I wish to observe in that connection that the United States Steel Corporation has filed a large volume of material with this committee, which they asked to be received by the committee, and regardless of what Mr. Grace or any other member of the industry may have testified, that Mr. Wooden has a right to question him, the president of the largest unit in the steel industry, as to what the facts are as he knows them.

Acting Chairman KING. There is no one denying that, and I think the witness has answered, but the question as Mr. Wooden just stated it was to ask him to state his recollection of the testimony of other witnesses. He may or may not have been here. If Mr. Wooden wants to ask any other question, he may proceed.

Mr. WOODEN. The witness said he didn't know.

Mr. DAVIS. He asked him whether he agreed with the correctness of the statement. That was simply a basic question which is certainly absolutely legitimate, I submit, especially when we are having as much difficulty as we are.

Mr. O'CONNELL. As I understood Mr. Fairless, his answer was that he didn't know. I was merely indicating that the committee does know what Mr. Grace testified and Mr. Grace did indicate that was the custom in the industry.

Mr. WOODEN. I asked Mr. Fairless if that wasn't a fact in the industry.

Mr. O'CONNELL. And he said he didn't know.

Mr. WOODEN. That is correct.

Acting Chairman KING. Proceed.

Mr. WOODEN. Mr. Adams, how many basing points in the industry are there on rivets?

Mr. ADAMS. I can't answer that, Mr. Wooden. I wouldn't have the slightest idea.

Mr. WOODEN. This exhibit, the advertisement of Republic Steel,¹ shows only four.

Mr. FAIRLESS. It might interest you to know we don't manufacture them.

Mr. WOODEN. All right, I am asking about the basing points in the industry, not merely what the Steel Corporation manufactures.

Mr. ADAMS. I can't answer that because there are too many products and too many basing points involved to be able to answer that. We can supply that information.

Mr. WOODEN. About how many are there on washers?

Mr. ADAMS. I couldn't answer that.

Mr. WOODEN. Don't you know there are only three basing points on washers?

Mr. ADAMS. I don't know whether there are three or thirty.

Mr. FAIRLESS. Mr. Wooden, I believe that you are getting into the fabricator's field rather than the steel man's field. We feel that our particular function in respect to rivets, bolts and nuts and washers, etc., is to sell steel to those who manufacture these products, and that is the extent of our participation. Now when you get into the basing points of those more or less finished products, you would have to call in the industry that manufactures them, and it doesn't happen to be the steel industry.

Mr. WOODEN. Are they rolling mill products?

Mr. FAIRLESS. The raw material is, but not the finished product.

Mr. WOODEN. Not the finished product. Do you have such products in mind, Mr. Adams, when you talk about the number of basing points there are in the country?

Mr. ADAMS. No, sir; I only had in mind the number of basing points on products that the United States Steel Corporation manufactures, really tonnage products from that standpoint.

Mr. WOODEN. Now I would like to come back to the matter we touched on yesterday afternoon regarding the continuation of the resolution adopted during the Code period which related to the charging of 35 percent of the all-rail rate on truck deliveries, delivered in the purchaser's own truck.

Mr. Adams, you testified that you imposed that 35 percent addition to the base price on truck deliveries.

Mr. ADAMS. Mr. Wooden, I don't believe I testified in that way.

Mr. WOODEN. I know you put it as a 65 percent deduction but isn't that equivalent to a 35 percent addition?

Mr. ADAMS. I set forth yesterday the fact that the Steel Corporation shipped 12,700,000 tons of finished products in 1937, that we shipped 313,000 tons by truck, that in those truck shipments we contracted with common carriers to deliver certain products and certain tonnages to customers, and that in connection with that transaction we added transportation equal to the railroad rate of freight to destination from our producing point.

Now that covered one part of the shipment of 313,000 tons. I further testified that there were very few of our customers who owned their own trucks and wanted to deliver steel to their plants by their trucks. When they did ask us to deliver steel by way of their own

¹ "Exhibit No. 2199," appendix, facing p. 14428.

trucks, we charged the all-rail rate of freight and allowed 65 percent, feeling that the customer was entitled to some credit for the use of his own truck in that connection, and that we had two objectives in mind in following that policy, the first being that in the market at the point of delivery we would have two or maybe a dozen customers in the same line of business competing one against the other. One would own his own trucks and maybe the balance of a dozen would have shipments come in by rail. We felt that it was a fair policy, because it placed our customers who were competing against each other in the market at the point of delivery on a comparable footing insofar as their cost of raw material was concerned.

The second point I made in connection with our policy was the added cost that accrued to our company at our producing points in loading our steel into trucks when the plants were laid out to load steel into railroad cars.

Now that is our policy, we think it is a fair policy.

Mr. WOODEN. And it is the industry policy too, isn't it?

Mr. ADAMS. I can't speak for the industry, Mr. Wooden. I can only speak for the Steel Corporation, and I say that with all sincerity because we believe—I have reason to believe from reports that I receive from salesmen—that there have been a good many deviations from that policy.

Mr. WOODEN. I refer you to page 71 of your pamphlet, "Exhibit No. 1418," where you say that the practice generally exists in the industry of doing what you say you have been doing here.

Mr. ADAMS. I will accept that.

Mr. WOODEN. You state that in your own pamphlet, that that is the general practice.

Mr. ADAMS. I will accept that. I would like to have the members of the committee remember that, in compiling these pamphlets, there were a number of people employed to secure as much information as we possibly could secure for the benefit of this committee. Now if there are a few statements which are not entirely accurate, there might have been an error in the preparation of the pamphlet, and when we use the word "general," there are always exceptions. There have been exceptions to this policy. To what extent, I don't know. I am only setting forth the fact that it is our policy when a customer owns his own truck, and sends it to our plant, that we add to our producing-point price the railroad transportation cost and allow him 65 percent.

Acting Chairman KING. You have read the paragraph to which Mr. Wooden refers, have you not, Mr. Adams? I will read it:

A practice generally exists in the steel industry of including in the delivered price to a buyer, who accepts delivery by sending his own truck to the mill, the rail freight from applicable basing point to destination, and allowing him a credit equal to 65% of the rail freight from mill to destination. This might be construed to mean that the buyer always pays one-third of the rail freight used in calculating the delivered price for the privilege of taking delivery by his own truck. This is true, however, only when the mill is at the basing point freightwise nearest to the buyers' destination. If the mill is not at any basing point, the effect of this practice will be either to increase the amount realized by such mill in excess of the base price at the basing point as a result of its geographical location, or merely to decrease the freight absorption which would result from a rail shipment.

And then examples are given.

Do you wish to modify that statement or do you accept that generally?

Mr. ADAMS. I think if we accept the word "general" to mean what it was meant to imply, that we should accept that; yes, sir.

Acting Chairman KING. You accept that statement, do you, with the explanation you have made?

Mr. ADAMS. With the proper explanation of the word "general"; yes, sir.

Mr. FAIRLESS. Mr. Chairman, I would like to clarify one phase that I don't believe has been cleared in respect to trucking. Here is a customer and here is a steel plant. For the product that the customer uses, the governing basing point is this producer's. Here is our steel plant, 150 miles away. This customer sends trucks into our plant. Keep in mind that we are governed pricewise by this basing point here, not by our basing point, but the allowance freight-wise is the allowance from our plant to the consumer, not from the basing point.

Mr. WOODEN. Mr. Adams, this 35-percent addition to the base price, which you say is equivalent to 65 percent reduction from the all-rail freight, that has no relation to the cost of loading on trucks, has it?

Mr. ADAMS. I think we are talking about approximately the same thing. Mr. Wooden, but we look at it from the standpoint of allowing 65 percent. Now that is 65 percent of the—

Mr. WOODEN (interposing). Didn't the Chairman just get through reading the Corporation's own statement that that might be construed to mean that the buyer pays one-third, but that it wasn't always true he did, and giving the qualifications?

Mr. ADAMS. Yes; and the example was cited and carried on through the rest of the paragraph.

Mr. WOODEN. Now the 35-percent is applied to the all-rail freight, isn't it?

Mr. ADAMS. The 65 percent.

Mr. WOODEN. All right, the 65 percent is applied to the all-rail freight.

Mr. ADAMS. Is allowed.

Mr. WOODEN. The cost, or the amount added there, would be varying according to the amount of the freight, being in a percentage.

Mr. ADAMS. Yes, sir.

Mr. WOODEN. That varying percentage could have no relation to the cost, could it, the cost of loading or things of that sort? It would be the same all the time?

Mr. ADAMS. We think that it strikes an average, although you can't say that it is predicated exactly on costs any more than you can say that extras are constantly predicated on costs because of changing cost conditions.

Mr. WOODEN. You said yesterday afternoon that you used this method in part to discourage truck delivery, is that correct?

Mr. ADAMS. That is correct; yes, sir.

Mr. WOODEN. Now you state on page 70 of Exhibit No. 1418 that many types of wire products also can be carried economically by

truck. Did you want to discourage the economical delivery of wire products by truck?

Acting Chairman KING. Answer it if you can and make any explanation you care to make.

Mr. ADAMS. We don't try to discourage any economic procedure if it is found to be economical when all factors are analyzed.

Mr. WOODEN. Do you charge the 35 percent on deliveries by truck of wire products?

Mr. ADAMS. I think we allow 65 percent of the delivery cost on wire products, Mr. Wooden.

Mr. WOODEN. Which can be carried economically by truck according to your own statement on page 70 of your Exhibit No. 1418.

Mr. ADAMS. We have already testified that we have shipped 313,000 tons by truck. Now the assumption is that that would not have taken place if it was not an economical procedure.

Mr. WOODEN. Did you two gentlemen, or either of you, ever read the report of the Federal Trade Commission to the Senate on the operation of the Steel Code with reference to this truck-delivery matter?

Acting Chairman KING. Under the N. R. A.?

Mr. WOODEN. Yes; but the practice is still in effect.

Acting Chairman KING. Did either of you witnesses read that report?

Mr. FAIRLESS. No; I haven't.

Mr. ADAMS. I haven't read it.

Mr. WOODEN. That report, on pages 32 to 35, describes this truck matter and quotes the written complaints and objections of various concerns who were adversely affected by it. The names of the concerns were given, the addresses were given, quotations from their complaints to the N. R. A. were given. They included shippers of steel, they included purchasers of steel, they included trucking companies, all complaining of the adverse effect, the damaging effect of that 65 percent or 35 percent matter, on their business.

(Mr. O'CONNELL assumed the Chair.)

Mr. FAIRLESS. Shippers of steel complained?

Mr. WOODEN. Some.

Mr. FAIRLESS. Why didn't they change it?

Mr. WOODEN. It was under the code.

Mr. FAIRLESS. Under the code?

Mr. WOODEN. Yes.

Mr. FAIRLESS. There aren't any complaints now, are there, Mr. Wooden?

Mr. WOODEN. I am just going into this matter that there were. And I would just like to ask you whether you think, in view of the complaint from concerns like that, that the objection or criticism of this aspect of the pricing methods of the industry are in the field of mere abstract criteria and abstruse theory?

Mr. FAIRLESS. I should like to attempt to reply to that question, broad as it is. It seems to me, Mr. Chairman, that it would be impossible to have any merchandising plan in any industry approaching the size of the steel industry without having some complaints, justified and unjustified.

Now this trucking problem that is up for discussion—I really shouldn't have referred to it as a problem because it isn't a problem

between the United States Steel Corporation and its customers. It is impossible for the United States Steel Corporation to establish a principle for handling this particular phase of our business and have it apply 100 percent in all cases. On the other hand, it would be impossible for us to conduct our business day by day without having some general over-all policy that dealt with this important subject.

Now when we say that we charge the customer the all-rail freight from our producing plant to his consuming plant, and then allow him 65 percent of the all-rail freight involved, that is our general overall policy. And in administering that policy we have found cases—a very small percentage of the total—where it works an injustice to certain people, due to their peculiar location, due to the peculiarity of their business; and in each and every one of those cases, to the best of my knowledge, we have made adjustments in this over-all policy to satisfy the customer completely.

Now I cite you an outstanding example. In the southwestern part of the United States there is a great market for so-called oil-country goods. The United States Steel Corporation's leading subsidiary in respect to the manufacture of tubular products, the National Tube Co., maintains a stock in Houston, Tex. That is our own stock. We sell that to our various customers in that district, and in many cases—as a matter of fact most cases—they send their trucks, because trucking lends itself satisfactorily to that particular part of the country, and to that particular business, because an oil well is not located adjacent to a railroad siding. In that case we charge those customers simply a handling charge for placing the material out of our stock into their trucks, so there is a big deviation from this so-called principle.

But in defense of it in respect to this particular part of the country, in the East and the Middlewest, this particular policy of ours applies, generally speaking, very satisfactorily, and while we still have some cases that come up that we have to deal with on a special basis, they are very small; and we do deal with them on a special basis.

Mr. WOODEN. Are you now trying to say that it is not the general practice in the industry, as the pamphlet said it was?

Mr. FAIRLESS. I am perfectly willing to have the reporter read what I have just said.

Mr. WOODEN. Well, what you mean by it is what I am getting at.

Mr. FAIRLESS. Just what I said.

EFFECTIVENESS OF COMMERCIAL RESOLUTIONS SINCE N. R. A.

Mr. WOODEN. Well, Mr. Fairless, there are a number of other commercial resolutions that were adopted during the code period, were there not, besides these two that are discussed in your pamphlet?

Mr. FAIRLESS. I assume so; yes, sir.

Mr. WOODEN. I understand that a number of those resolutions are still in effect in the industry. Is that correct?

Mr. FAIRLESS. I would have to answer "no" to that question, to give a "yes" or "no" answer.

Mr. WOODEN. Do you mean to say that none of the others, none except these two that we have been discussing, are still in effect?

Mr. FAIRLESS. Well, I should like to deal with specific matters. Now what is it you want me to answer?

Mr. WOODEN. Tell us whether or not any other of the commercial resolutions adopted under the code besides these two that we have been discussing, such as the allowance on truck deliveries and the matter of arbitrary switching charges, whether any others are still in effect.

Mr. FAIRLESS. Mr. Chairman, it seems to me that before I answer any question that has to do with the steel Code under N. I. R. A. days, that I should know what we are talking about. I am only asking for the particular resolution, if there is such a thing in evidence. What is it?

Mr. WOODEN. Well, you said yesterday you did not know that there was a resolution of the industry continuing the standards of fair competition provided for in the Code.

Mr. FAIRLESS. I did, sir, and I gave my reasons. I was not a Director of the Institute and how would I know?

Mr. WOODEN. The trade press gave it out that ninety percent of the industry joined in those resolutions, and you weren't aware of it. Is that right?

Mr. FAIRLESS. I have answered the question.

Mr. WOODEN. I have here a letter, dated December 18, 1939, from Mr. Irving S. Olds to James R. Brackett, Executive Secretary of the Committee, in which he states in reply to a question as to the matter of these commercial resolutions:

I am informed that the officials of United States Steel Corporation know of no amendments or modifications since June 1935 of commercial resolutions and regulations adopted during the NRA Code period, or similar statements or announcements of commercial practice made since June 1935.

Was that matter taken up with either of you gentlemen before that answer was made?

Mr. OLDS. Don't you think I had better answer that question, Mr. Wooden? I discussed that matter with Mr. Fairless before I wrote that letter.

Mr. WOODEN. Yes. Well then, Mr. Fairless, with that to aid you, can you tell us whether some of these other commercial resolutions of the code period are still in effect?

Mr. FAIRLESS. There are no resolutions of the code period or anything having to do with the code officially in effect in the United States Steel Corporation.

Mr. WOODEN. Are they in practical effect in the industry?

Mr. FAIRLESS. Well, Mr. Chairman, I again appeal to you. I want to be just as helpful as I can, but I can't answer these questions that are put here for the obvious purpose of confusing the issue. Now I am perfectly willing to answer Mr. Wooden, but I cannot answer—he asked me a question about something that I don't know what he is talking about. He has some particular thing in mind. Now what is it?

Mr. WOODEN. You were chairman of the committee that handled those matters during the code period?

Mr. FAIRLESS. Part of it; yes.

Mr. WOODEN. And you can't tell me whether any particular ones other than these two are still in effect?

Acting Chairman C'CONNELL. Mr. Wooden, I think that Mr. Fairless' point is fairly well taken. He apparently is not cognizant in detail of the situation to which you are referring. I think that if

there are particular commercial practices which were put into effect in that period that you have reason to believe are still in effect, that we might address ourselves more precisely to them.

Mr. WOODEN. Can you tell us, Mr. Fairless, whether the resolution, number ten, which fixed the maximum deduction of 38 cents per ton from the base price that could be made on Southern foundry pig iron of a certain quality is still in effect?

Mr. FAIRLESS. I can't answer it.

Mr. WOODEN. Can you tell us, Mr. Adams?

Mr. ADAMS. I never heard of it, Mr. Wooden. I don't think it is in effect.

Mr. WOODEN. As a matter of fact, isn't the differential 38 cents a ton between Southern pig iron of certain quality for shipment to Northern points? Isn't it 38 cents still?

Mr. ADAMS. I can't answer that.

Mr. WOODEN. I direct your attention to the Iron Age for January 13, 1938, which carried a note to the effect that that is the differential between Southern foundry pig iron for shipment to Northern points.

Mr. FAIRLESS. It might be helpful, Mr. Wooden, and also to the committee, to clarify our position in respect to shipments of Southern pig iron to so-called Northern points.

Acting Chairman KING. Can you answer that question yes or no?

Mr. FAIRLESS. I don't know. I wanted to give a reason why I wouldn't know. We do not ship Southern pig iron to Northern points; we serve our Northern customers from Northern production and our Southern customers from Southern production.

Mr. WOODEN. You don't know enough about the industry to know whether a differential of 38 cents per ton is recognized still between Southern foundry pig iron of certain quality and Northern pig iron?

Mr. FAIRLESS. I do not.

Acting Chairman KING. Mr. Fairless, do you know whether there is any difference between the prices in the Northern field and in the Southern field?

Mr. FAIRLESS. Oh, yes; definitely.

Acting Chairman KING. Do you know what the differentials are?

Mr. FAIRLESS. You mean the schedule of prices, Northern pig iron versus Southern pig iron?

Acting Chairman KING. Yes.

Mr. FAIRLESS. Mr. Adams has them or can get them. I don't know what it is exactly but there is a differential, there is a difference of quality, of course.

Acting Chairman KING. Judge Wooden, is it material—I express no opinion—to show what was done under the N. R. A. with a view to determining what is being done or what ought to be done now? It may be relevant.

Mr. WOODEN. I am inquiring to find out if it isn't being done now. That is the purpose.

Acting Chairman KING. Would that be for the purpose of ratifying the conduct of the N. R. A. or approving it or disapproving it?

Mr. WOODEN. I wouldn't attempt to state any purpose in it, but simply to show what the facts are, whether or not the N. R. A. arrangements have continued since the N. R. A., and the resolutions of the industry so provided.

Mr. FAIRLESS. Well, the answer to that, just what you have expressed, is definitely no.

Mr. WOODEN. I am asking you about particular resolutions.

Mr. FAIRLESS. My answer covers any or all resolutions. Every one of the resolutions that you are referring to went out with the code.

Mr. O'CONNELL. Then the point is that subsequent to the invalidation of the N. R. A. there was a voluntary move on the part of the industry to continue——

Mr. FAIRLESS (interposing). That was the question that Mr. Wooden put up to me and my answer was that I was not a director at that time and I therefore am not qualified to say.

Mr. WOODEN. Can you tell me whether or not the regulation or resolution that was specified under the code with regard to shipments for structural use in an identified structure is still the practice?

Mr. FAIRLESS. No, sir; it is not now the practice.

Mr. WOODEN. Didn't it continue to be the practice after the code for some time?

Mr. FAIRLESS. Well, to be very specific in my answer, the provision of that particular resolution didn't exist during the code.

Mr. WOODEN. Weren't you aware of complaints being made by fabricators of the deleterious and damaging effect of that upon their business?

Mr. FAIRLESS. I have answered with the statement that the resolution was never effective, even during the code.

Mr. WOODEN. Haven't you seen announcements of companies in the industry as late as 1936 specifying that condition with regard to shipments for an identified structure?

Mr. FAIRLESS. What condition?

Mr. WOODEN. That the place of erection or the nearest place to it should be considered the destination point, rather than the place of fabrication.

Mr. FAIRLESS. You are talking about f. i. t. privileges now, aren't you?

Mr. WOODEN. Yes.

Mr. FAIRLESS. That is a big subject.

Mr. WOODEN. I don't want to go into the whole subject. I was asking about that particular phase of it.

Mr. FAIRLESS. I should like to clear up that phase.

Acting Chairman KING. Answer it as compactly as you can.

Mr. FAIRLESS. I should like to clear up the phase I think Mr. Wooden is trying to develop, whether or not the steel industry is carrying on in effect the resolution having to do with the f. i. t. privileges during the code, and my answer to that question is short and very definite, and the answer is no, they are not.

Acting Chairman KING. Generally speaking—I use the word “generally” because it is so frequently used—were any of the activities or proceedings under the code continued after its abrogation, after it ceased to be effective as a legal organization, if it ever was? Can you answer that, were the practices under the code continued after its invalidation?

Mr. FAIRLESS. I can answer that question probably better, Senator, by telling you that many of the practices that were made compulsory under the code were practices that were already in existence for a long time in the industry before there was a code or an N. I. R. A., and

they existed because they were fair, they were reasonable, and they were accepted by both producer and seller. For example, we spent much time yesterday afternoon in discussion of the freight rate within various switching districts such as Chicago and Pittsburgh. I think I have developed the information in respect to that. Now the minimum freight rate in the Pittsburgh district to any plant, anybody that we do business with, is 55 cents. The maximum freight rate is 99 cents. Our charge is 50 cents. In Chicago the minimum is 65 cents—these are actual figures taken from our records—and the maximum is 90 cents. Our charge is 60 cents. In Birmingham, the minimum charge is 70 cents, the maximum is \$1.80. Our charge is 50 cents. In Cleveland the minimum is 42 cents, the maximum is 84 cents. Our charge is 50 cents. That had to do with a provision of fair practices, trade practices, during the steel code and it has continued. Here is a very good reason why it has continued, because in each case, with the exception of Cleveland, and to what extent there I am not familiar enough with to give you the exact percentage, but in every other case our charge is less than the minimum freight rate to any customer in the district.

POLICY OF PRICE ANNOUNCEMENT SINCE SPRING OF 1936

Mr. WOODEN. In the spring of 1936, Mr. Adams, did the Corporation begin some new policy with regard to publication of base prices?

Mr. ADAMS. I didn't come with the Corporation until June 1936.

Mr. FAIRLESS. I was there.

Mr. WOODEN. Will you answer, then?

Mr. FAIRLESS. What is the question?

Mr. WOODEN. Whether or not the Corporation or its subsidiaries began a new policy of price announcement in the spring of 1936.

Mr. FAIRLESS. To the best of my knowledge; no.

Mr. WOODEN. Did they at that time put out announcements saying that the price for the particular quarter would be certain amounts at particular basing points or points of production of the Corporation?

Mr. FAIRLESS. I think that had been the practice in vogue for a long time. Your question was a departure or change.

Mr. WOODEN. Yes.

Mr. FAIRLESS. No change so far as I know.

Mr. WOODEN. Are you aware of any change in the policy or practice of other companies about that same time, on the same subject?

Mr. FAIRLESS. No, sir.

Mr. WOODEN. I ask you whether or not there wasn't some discussion among leaders of the industry during the early part of 1936 with regard to instituting a policy, a practice, of published announcements of base prices.

Mr. FAIRLESS. No, sir.

Mr. WOODEN. Didn't the subsidiaries of the Corporation put out announcements in the spring of 1936 stating that only delivered prices would be quoted?

Mr. FAIRLESS. It has been the practice, and still is, quarterly for the subsidiary companies to announce their prices for the ensuing quarter. There was no change in respect to that.

Mr. WOODEN. Hasn't the practice been to quote only delivered prices?

Mr. FAIRLESS. That is our method of selling our products.

Mr. WOODEN. And that is also the method of selling that is followed by the industry generally, isn't it, only delivered prices?

Mr. FAIRLESS. I can't answer that, I don't know.

Mr. WOODEN. Well, aren't these pamphlets that you offer here, "Exhibit No. 1418",¹ based on the admission that that is the practice in the industry to quote only delivered prices?

Mr. FAIRLESS. I don't know, I can't tell you what this industry does, how they conduct their business in individual companies.

Mr. WOODEN. Doesn't this pamphlet, 1418, undertake to describe how the industry conducts its business with regard to making delivered prices?

Mr. FAIRLESS. I think it does in a general way, yes.

Mr. WOODEN. Well, then, you do know that that is the practice, the general practice of the industry, to quote delivered prices only?

Mr. FAIRLESS. Generally speaking I believe the industry quotes delivered prices, but I have no way of knowing that that method is covered completely, or is used completely.

Mr. WOODEN. You have reviewed this pamphlet, have you not, before it was submitted?

Mr. FAIRLESS. In a general way, yes, sir.

Mr. WOODEN. Do you understand it to be an explanation or an analysis of the delivered price system with the use of basing points to calculate delivered prices?

Mr. FAIRLESS. Certainly with respect to the United States Steel Corporation and its subsidiaries.

Mr. WOODEN. And also for the industry?

Mr. FAIRLESS. Mr. Wooden, it seems to me that we could save a lot of time, I know you are busy and I certainly am; I would like to put aside, once and for all, the question of what our competitors do in all cases. I don't know.

Mr. ADAMS. I think Mr. Wooden has the answer to his own question if he accepts the Form B returns. The industry went to a great deal of trouble and expense in attempting to give the committee through the Form B returns a cross-section of just what takes place. All the delivered prices are in there, the question of transportation costs, and all of those factors, so you can determine from those returns just what our competitors are doing, and we can't testify to that.

Mr. WOODEN. I call your attention to a publication in the Iron Age of January 7, 1937, summarizing the conditions in the industry for the year 1936 and characterizing a certain program of open-price announcement as being the most successful price stabilizing movement the steel industry had experienced other than the steel code. Can you tell me what that has reference to?

Mr. FAIRLESS. I cannot. I don't recall the article. I would assume it would be an opinion of some writer for Iron Age.

Mr. WOODEN. It is further stated in that article that Mr. Girdler, president of Republic, initiated the movement at the beginning of the second quarter, making his announcements for the second quarter. Does that recall anything to your mind?

Mr. FAIRLESS. Not a thing.

¹ Appendix, pp. 14619 ff.

Mr. WOODEN. The Iron Age article also says that other steel companies followed the Republic's example and announced openly their selling prices.

Mr. FAIRLESS. When?

Mr. WOODEN. 1936.

Mr. FAIRLESS. My dear sir, we have been announcing openly our selling prices for years. We didn't begin in 1936.

Mr. WOODEN. That is why I am asking about it.

Mr. FAIRLESS. The answer is, as far as United States Steel Corporation is concerned, we have not adopted any new selling policies as rumored by Iron Age or anybody.

Mr. WOODEN. The Iron Age also says that other companies followed the Republic's example. Do you know anything about that?

Mr. FAIRLESS. I know one that didn't.

Mr. WOODEN. You continued the policy you had before?

Mr. FAIRLESS. That is right.

Mr. WOODEN. As a matter of fact, didn't your company send out announcements to its sales managers that some price announcement program was going to be begun in May 1936?

Mr. FAIRLESS. I haven't any idea what you are driving at. Why don't you give me just exactly what you have in your mind and we could save a lot of time?

Acting Chairman KING. I think the question is proper. Answer if you can.

Mr. WOODEN. I might say in this general connection that I have certain extracts and portions of documents on which my questions are based and I understand that without formal identification of them, which I am not prepared to make at this time, I cannot offer them, so I am somewhat handicapped and I am asking the questions as I do for that reason.

Will you produce the letters to sales managers dated May 21 and May 23, 1936? Do you have them?

Mr. FAIRLESS. Mr. Chairman, representatives of this committee visited many of our subsidiary companies and have gone through our files, everything that they asked for has been presented, and if this committee has any letters written by any of our people of which some explanation is necessary or deemed advisable, we will be very happy to give it.

Acting Chairman KING. The judge asked if you had those letters.

Mr. FAIRLESS. To ask us just for a letter written May 21, 1936, I imagine there were many letters written May 21 having to do with sales matters and sales policies.

Mr. WOODEN. Announcing the beginning of your price announcement program.

Acting Chairman KING. If you have the letters here will you exhibit them? If you haven't, say so.

Mr. FAIRLESS. We have a letter of that date. Of course, I don't know whether that is the letter.

Mr. ADAMS. If you have a letter, Mr. Wooden—

Mr. WOODEN. I have a portion of such a letter purporting to have been written to all managers of sales by J. H. McKown, assistant vice president and assistant general manager of sales, Carnegie-

Illinois Steel Corporation, dated May 21, 1936, and it contains these statements (reading from "Exhibit No. 2200"):

We will begin our price announcement program by announcing prices on bars and small shapes, later strip, then sheets, and our other commodities will be given consideration as promptly as possible.

Do you recall such an announcement being sent out to your managers of sales?

Mr. ADAMS. Again I will have to say, Mr. Wooden, I wasn't with the company at that time.

Mr. FAIRLESS. I really don't know anything about it.

Mr. WOODEN. You don't have anything in mind as to what the beginning of your price announcement program was at that time?

Mr. FAIRLESS. I do not, sir. The only change that I can think of in respect to price announcements that has been made by our Corporation since my connection with it had to do with deliveries during a quarter. Now the policy in vogue in our Corporation for a long time was to announce prices for a quarter, which meant that business could be taken during that 3 months at the prices announced. Now we have varied from that in respect to one feature, and that is that we announce our prices for delivery within that quarter. If that is what you are referring to, Mr. Wooden, I can clarify it, otherwise I can't. That was to clarify our deliveries, otherwise we would be shipping into second and third and maybe fourth quarters, material at the first quarter price.

Mr. ADAMS. I think, Mr. Wooden, that perhaps I can answer your question.

Mr. WOODEN. My question was whether that meant anything to you and you said you weren't with the company.

Mr. ADAMS. I said I wasn't with the company, but since you asked me that question I have located the letter involved and it brings back—

Mr. WOODEN. May 21?

Mr. ADAMS. May 21, 1936, signed by Mr. J. H. McKown, assistant vice president and assistant general manager of sales, Carnegie-Illinois Steel Corporation.

Mr. WOODEN. Might we have a copy of it?

Mr. ADAMS. Certainly, sir. Do you want me to read it?

Mr. WOODEN. I would like to offer it for the record.

Acting Chairman KING. You give us a copy.

Mr. ADAMS. Certainly; I will be glad to do that.

Mr. WOODEN. You have also a circular letter to the sales managers by the same writer dated May 23, 1936?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Will you supply a copy of that also?

Mr. ADAMS. Certainly. I think this is the letter you have reference to, Mr. Wooden. Let me explain the change that took place, if I can.

Mr. WOODEN. Well, what do you know about it if you weren't with the company then?

Mr. ADAMS. It simply indicates a change in the formal method that was followed. Prior to that time, as I understand it, the writers for the trade journals would ask us what our price was going to be for a quarter. We would tell them and our prices would be published in the trade journals. About this time in 1936 we decided to not only tell

the trade journals but to advise our district sales offices in the way of a formal letter and a formal announcement, so that each of our customers at the various points of delivery would have a definite written formal notice from us regarding the delivered prices that we were announcing for the quarter. It is just a technical change of procedure, as I understand it. Now beyond that I can't go, Mr. Wooden.

Mr. FAIRLESS. You will also find that representatives of the T. N. E. C. already have copies of this letter.

Mr. WOODEN. Is it in evidence?

Mr. FAIRLESS. You have copies. Whether it was offered in evidence I can't answer.

Mr. ADAMS. All of these letters are in your file.

Mr. WOODEN. I would like to offer them in evidence.

Mr. O'CONNELL. They are not in the record so far as I know, so we might as well get them in.

Mr. WOODEN. I offer them for the record.

Acting Chairman KING. If on examination it is found that they have been introduced there will be no necessity of reproducing them.

(The letters referred to were marked "Exhibits Nos. 2200 and 2201," respectively, and are included in the appendix on pp. 14428 and 14429-14430.)

Mr. ADAMS. I understand these letters were given to the Department of Justice. They are not in the record of the proceedings.

Acting Chairman KING. The Department of Justice has copies of these letters, has it?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Referring to the letter of May 21, 1936, which is in the record as "Exhibit No. 2200,"¹ what does it mean, Mr. Fairless, about the statement that "We will begin our price announcement program"?

Mr. FAIRLESS. I believe Mr. Adams can answer the question more fully than I can.

Mr. WOODEN. He wasn't with you then.

Mr. FAIRLESS. He is with us now, he knows our practices, obviously.

Mr. ADAMS. As I understand it, that language was simply used to describe a change in our procedure. As I have said, the prior procedure was to notify the trade journals or if they came to us and asked us on or about 30 or 45 days prior to the beginning of the calendar quarter what our price would be for the quarter, we would tell them and they would publish it. That was one method of notifying our customers in general. Then we decided to change that procedure to the extent of actually having printed, having sheets of paper printed, which we sent out to our district sales offices and they in turn distributed them to the buyers of steel in their territory. In other words surrounding Detroit you would have Lansing and Flint and so on, and we would want to be sure that there was a formal notice from Carnegie-Illinois Steel Co. setting forth just what our published prices were, and that was considered, as I understand it, a change in our published announcement program. We all know that in that way we could accurately inform our customers what our delivered prices would be, and they would be sure of knowing what their costs of steel were going to be.

¹ Appendix, p. 14428.

Mr. WOODEN. What was the difference between what you did then and what you had done previously?

Mr. ADAMS. I think I have explained that. As far as I know, one method was to notify the trade journals; the second method was to notify each customer individually on a written form exactly what his delivered price would be on each of the products that he used or purchased and which we manufactured.

Mr. WOODEN. So you began a price announcement at that time, May 1936, of announcing base prices on products at the base point, didn't you?

Mr. ADAMS. Well, those were base delivered prices.

Mr. WOODEN. Did you distribute those?

Mr. ADAMS. Just a minute, Mr. Wooden. In the change in the announcement program we not only announced our base delivered prices at the point of production, but we carried that through to a point where each customer would have a record from us as to what our base delivered prices in his town were on each of the products that he was interested in.

Mr. WOODEN. How did you publish the base prices? Did you publish them in trade journals?

Mr. ADAMS. They still appeared in the trade journals; yes, sir. This was just an extra step taken to make sure that we had made it as convenient as possible for our customers to know during each quarter what our delivered prices would be.

Acting Chairman KING. Would the letters sent to the customers be in harmony with the prices appearing in the trade journals?

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Did you send these price announcements to any of your competitors?

Mr. ADAMS. Not to my knowledge; no, sir.

Mr. WOODEN. Do you know, Mr. Fairless?

Mr. FAIRLESS. No, I don't.

Mr. WOODEN. Wasn't it understood they would receive them?

Mr. ADAMS. There would be no—

Mr. FAIRLESS (interposing). Understood by whom?

Mr. WOODEN. By you.

Mr. FAIRLESS. No, sir.

Mr. WOODEN. Did you receive price announcements of a similar character from other companies?

Mr. ADAMS. No, sir; not to my knowledge.

Mr. WOODEN. You saw them printed in the trade journals?

Mr. ADAMS. We saw them printed in the trade journals if they published them in that manner.

Mr. WOODEN. And how many companies did publish them?

Mr. ADAMS. Again I can't answer. As I have said, there are 30 of them and some of them publish their prices and others don't.

Mr. FAIRLESS. A few.

Mr. WOODEN. Now the Iron Age to which I referred, January 7, 1937, describing this movement in the steel industry, for a program of price announcement, stated that after the Republic took this lead and others followed, the last three-quarters of the year 1936 were remarkably free from price cutting. Does that register in your mind as to what the conditions were?

Mr. FAIRLESS. It doesn't register in my mind and it doesn't register on the charts of information which we have turned over to this committee.

Mr. WOODEN. Did you have an understanding with any of your competitors that any change in published prices that were put out in May 1936 would be similarly published?

Mr. FAIRLESS. No, sir.

Mr. WOODEN. Had they been published as comprehensively prior to that time by other companies as they were after the spring of 1936?

Mr. FAIRLESS. I can't answer that; I don't know.

Mr. WOODEN. Do you know, Mr. Adams?

Mr. ADAMS. No, sir.

Mr. WOODEN. Where were you at that time?

Mr. ADAMS. In the spring of —

Mr. WOODEN (interposing). 1936.

Mr. ADAMS. What date?

Mr. WOODEN. May 1936.

Mr. ADAMS. In May 1936 I was vice-president of the General Fireproofing Company at Youngstown, Ohio.

Mr. WOODEN. Is Mr. Walter Tower here?

Acting Chairman KING. Is the gentleman present?

Mr. WOODEN. He was here yesterday. Mr. Chairman, I have copies of letters, portions of letters, that only Mr. Tower could identify, or some other witness—certainly not the gentlemen present.

Acting Chairman KING. Were they letters taken from the files of the —

Mr. WOODEN (interposing). Not of the Steel Corporation, but from either the files of the institute or concerns corresponding with the institute. I will not try to offer any of them in the absence of more formal identification.

Acting Chairman KING. I am interested in one question, if either of you gentlemen cares to answer it or can answer it. During the years which you have been identified with the steel business, and particularly with the United States Steel Corporation, has there been active competition, genuine competition among all of the steel companies?

Mr. FAIRLESS. Definite and severe competition most of that time.

Acting Chairman KING. Have their annual sheets which were filed for publication, or their returns to the Government, as far as you are familiar with their returns if you are familiar with any, indicated deficits or losses or lack of profits during those years?

Mr. FAIRLESS. Yes, sir.

Acting Chairman KING. Was that general or —

Mr. FAIRLESS (interposing). Very general.

Acting Chairman KING. Or just spasmodic?

Mr. FAIRLESS. Very general.

Acting Chairman KING. Have there been years when United States Steel Corporation has had losses rather than profits?

Mr. FAIRLESS. Yes, sir.

Acting Chairman KING. My recollection is that you or some witness has testified here to information of the large deficits during a given period, and if that went into the record, those figures, I don't care to recur to them now.

Mr. FAIRLESS. Do you want these figures?

Acting Chairman KING. Were they put in the record?

Mr. FAIRLESS. Yes, sir.

Acting Chairman KING. That is my recollection. You need not reproduce them.

Mr. ADAMS. They are in the record, Senator, and during the last decade we have had something like 4 years of losses and 6 years of profits, reasonable or otherwise. Over the last decade I think they will show that we have made less than 2 percent return on our investment.

Acting Chairman KING. Those figures are in the record; there is no need—

Mr. ADAMS (interposing). Of course when we talk about price changes upwards and downwards, we wonder how anyone could conceive that there isn't severe price competition in our industry from the practical man's standpoint, because you can't operate on a narrower margin than that and exist.

Acting Chairman KING. Proceed, Judge.

FREIGHT RATE BOOK OF THE IRON AND STEEL INSTITUTE

Mr. WOODEN. Now when it comes to a question or a matter of calculating the delivery or transportation element in the delivered price, the American Iron and Steel Institute has put out for some time, has it not, compilations of freight rates?

Mr. FAIRLESS. Yes, sir.

Mr. WOODEN. Those compilations were instituted during the code period, were they?

Mr. FAIRLESS. Yes, sir.

Mr. WOODEN. And the institute still puts out compilations of freight rates, both by rail and by water and rail?

Mr. FAIRLESS. I believe I can save time by giving—

Acting Chairman KING (interposing). Answer yes or no, if you can, and then make your explanation.

Mr. FAIRLESS. Yes; but I can give the complete history of this rate book—

Mr. WOODEN (interposing). The answer is yes. I don't care for any more than that. I would like to pursue my line of questioning, if I may. I have no objection to a statement being made at some later time or when I am through with the subject, but just to throw the thing open for anything he may care to say about the subject—

Mr. FAIRLESS (interposing). It is only a history, Mr. Wooden, of just exactly what happens in respect to this rate book to which you are referring; that's all. It is not my opinion or—

Mr. WOODEN (interposing). All right.

Mr. FAIRLESS. The American Iron and Steel Institute has a traffic committee composed of traffic managers of 10 different steel companies. This committee supervises the institute's Freight Rate Book. There are 4 sections to the Institute's Rate Book, and the responsibility of keeping these sections up to date is assigned to different members of the committee. When corrections are necessary—and by necessary I mean when rate changes take place—these committee members have the changes made on supplementary sections or pages, sending these sections or pages to the institute for distribu-

tion to holders of the rate book. The rate book is available to anyone interested in the steel business, but, peculiarly, it is not used by all of the steel companies and is used by some manufacturing concerns not classed as steel companies. There is a nominal charge made for this service and the individual holders of the book pay these charges to the institute.

Mr. WOODEN. The freight rates are figured from the various basing points to the various destinations, are they not, in the institute book?

Mr. FAIRLESS. You are talking about the construction of the book?

Mr. WOODEN. I am talking about the Institute's Freight Rate Book, whether they do not show the freight rates from the basing points to various destinations.

Mr. ADAMS. The freight rates in the book, Mr. Wooden, are all rates which are secured from the railroads governing transportation costs from various places to various destinations.

Mr. WOODEN. Do they not show the freight rates from the various basing points to various destinations?

Mr. ADAMS. Why, certainly, they would have to. And they also show rates from nonbasing points to other destinations, and numerous freight rates that are involved and are required by people not actually producing steel.

Mr. WOODEN. You say they show the freight rates from nonbasing points as well?

Mr. ADAMS. I would say so; yes. It is a convenience—and that's all—for the steel industry and for people who fabricate steel. The rates are published by the railroads, and we are constantly checking with our large traffic department to determine just what those rates are.

Mr. WOODEN. Isn't it a fact that the determination of the correct rate between one point and another is a matter on which even freight or traffic experts will differ?

Mr. ADAMS. Well, I am not a traffic expert, Mr. Wooden.

Mr. WOODEN. Don't you know that to be a fact?

Mr. ADAMS. No; I don't know that to be a fact. As a salesman I have always secured freight rates from our traffic department. Now, the rate that they give me may be published in that freight-rate book or it may not be published in that freight-rate book. It takes time for any organization—and when I say organization I mean this committee that Mr. Fairless has talked about, composed of certain traffic managers in the steel industry—to accumulate that information.

Acting Chairman KING. Where does this committee get its information?

Mr. ADAMS. Direct from the railroads, Senator, and——

Acting Chairman KING (interposing). From basing points to the consumers?

Mr. ADAMS. They collect all their rates from all points between cities where the shipment of steel, or allied products made from steel, might be involved.

Acting Chairman KING. They don't attempt to project rates or to speculate as to what the rates are?

Mr. ADAMS. There is no speculation as to rates. It is public information and as Mr. Fairless just said, peculiarly enough, all of the steel companies do not use that freight-rate book, and also peculiarly, other companies use it.

Mr. WOODEN. Mr. Chairman, I have documents which show that the calculation of freight rates does likely produce errors, that it is important to have uniformity in the calculation of freight rates in order to have the delivered prices equalized. I have documents which will show that it was understood that the published freight rates of the institute would be recognized and used until after a correction sheet was published.

Mr. FAIRLESS. I object to that statement.

Mr. WOODEN. And it is simply because of my inability under the program of this committee regarding formal identification of these documents that I am not able to use them right now.

Mr. FAIRLESS. I object to the statement.

Acting Chairman KING. Your objection doesn't determine our course.

Mr. WOODEN. I don't know just how I am going to go about the matter of formalizing the identification of such documents.

Mr. FAIRLESS. My objection is that it is not a true statement.

Acting Chairman KING. I think before the hearing concludes, if you deem that testimony relevant, it would seem that ample opportunity will be afforded for presenting the same to the committee.

Mr. FAIRLESS. For further clarification I should like to make this statement to the committee. It is of no importance whatsoever to the United States Steel Corporation whether we use this book or not, and as a matter of fact any time that a rate change is made—and most rate changes, as we know from our experience, are downward, not upward—whether they be downward or upward they are immediately put into effect through the offices and functions of the various traffic departments of the United States Steel Corporation. Many times these supplements to this book are distributed 2 or 3 months after a rate change has happened.

Acting Chairman KING. I presume that freight rates change frequently, do they not?

Mr. FAIRLESS. Yes.

Acting Chairman KING. I know in the pending bill which is in Congress now, the railroad bill, there is a provision for the filing of tariffs, that is for rates, changes from time to time, various applications were made.

Mr. FAIRLESS. Yes. And I should like to point out that this book does serve a very useful purpose to small steel companies, particularly nonintegrated companies, companies that do not and cannot afford traffic departments such as those of the larger companies. As far as we are concerned, this cannot be any issue with us because it doesn't make any difference whether we have it or not.

Acting Chairman KING. Proceed, Judge.

Mr. WOODEN. I have to decide whether or not it will be necessary to provide the formal identification of the documents to which I refer.

Acting Chairman KING. The committee is not going to be very exacting, Judge.

Mr. WOODEN. I had supposed that unless the authenticity of the documents were challenged that they might be received subject to such challenge.

Mr. O'CONNELL. Senator, you weren't here when the question came up this morning as to whether certain documents Mr. Wooden had could be introduced and I took the position which I believe is con-

sistent with the position the committee has heretofore taken—I know it is in line with the decision the chairman made in connection with the investment banking hearing—that in the absence of the witness who could testify to the authenticity of the document that we would not permit it in evidence unless it was obtained from some published source. That is the situation with which Mr. Wooden is confronted. It seems to me it is one he can meet but I didn't feel it would be consistent with what we have done before to permit the introduction of those things at that time.

Acting Chairman KING. The Senator will not overrule a member of the committee who comes from a great department of the Government, so we will adhere to it for the time being.

Proceed.

Mr. WOODEN. Under the code, during the code rather, it was provided that the freight rates compilations put out by the American Iron and Steel Institute should be used, was it not?

Mr. FAIRLESS. I can't answer that definitely. You probably have the complete and full information. I don't have. Your question is whether it was compulsory?

Mr. WOODEN. Yes.

Mr. FAIRLESS. My answer is: I don't know.

Mr. WOODEN. Now with regard to the all-rail basis of calculation of delivered prices, you and your companies use in actual shipments a cheaper method at times consisting of truck delivery and of water transportation.

Mr. ADAMS. Yes, sir.

Mr. WOODEN. Under the code it was compulsory to use the all-rail basis, was it not?

Mr. ADAMS. I don't know, Mr. Wooden. I don't think so.

Mr. WOODEN. With certain exceptions which the board of directors took care of by special regulation.

Mr. FAIRLESS. That's correct, but those certain exceptions covered the very large bulk of steel that moved by water. I want to emphasize rather than minimize the exceptions.

Mr. WOODEN. And the institute put out compilations of freight rates which showed those rail and water rates as well as the rail rates, did it not?

Mr. FAIRLESS. Yes, sir.

Mr. WOODEN. And it has continued to put out rail and water compilations of freight?

Mr. FAIRLESS. I can't answer that. You mean as a part of the traffic book?

Mr. WOODEN. Yes.

Mr. FAIRLESS. I can't answer that.

Mr. WOODEN. Or part of the traffic service, rather. Now during the code period, efforts were made to get the industry to change from the all-rail basis of freight computation, were there not?

Mr. FAIRLESS. Made by whom?

Mr. WOODEN. Various persons and concerns who said they were adversely affected by the maintenance of the all-rail basis of computation.

Mr. FAIRLESS. Do you mean officially? Are you talking about officials, or what is your point?

Mr. WOODEN. Isn't it a fact that there were many commercial interests—

Acting Chairman KING (interposing). Did you say "commercial," pardon me?

Mr. WOODEN. Commercial interests consisting of shippers, purchasers located on waterways and chambers of commerce, and many similar groups that urged the abandonment of the all-rail basis of computation of steel prices.

Mr. FAIRLESS. I don't know of such.

Mr. ADAMS. Mr. Wooden, if you want to—

Acting Chairman KING (interposing). I think you ought to wait until Mr. Wooden asks you a question. If he asks you that, I have no objection to your answering.

Mr. FAIRLESS. I have stated before that almost any merchandising policy of an over-all nature would create some dissatisfaction and some complaints.

(Further discussion of this point was off the record.)

Mr. WOODEN. The point is that the all-rail basis of computing delivered prices from basing points still continues in the industry.

Mr. ADAMS. That is not a fair statement.

Mr. WOODEN. I appreciate very well that there are other compilations of rail and water rates and even of water rates that make exceptions to that.

Acting Chairman KING. Would you care to make a statement now, or will you wait until the Judge offers proof of that?

Mr. FAIRLESS. Well, he has said that it still exists and it doesn't exist.

Mr. WOODEN. I didn't say it existed to the exclusion of everything else.

Isn't it a fact that at a meeting of the members of the industry that the protests of commercial interests that wanted the all-rail freight basis of computation discontinued, that their requests, were rejected by a vote of the members of the industry present?

Mr. FAIRLESS. I attended no such meeting.

Mr. WOODEN. Do you know anything about such a meeting?

Mr. FAIRLESS. No; I do not. I take it you are going back to the code now.

Mr. WOODEN. That is right, yes, during 1934.

Did you read the report, either of you gentlemen, of the Federal Trade Commission on the practices of the steel industry under the code made to the United States Senate with reference to the subject of the all rail base method of calculation?

Mr. FAIRLESS. I am just thinking, trying to recall; I am not certain whether I did or not. The chances are I did. I followed it pretty closely.

Mr. WOODEN. Did you note there the quoted objections made by various commercial interests such as local chambers of commerce and individual industries located on the rivers and water transportation agencies protesting against the use of the all-rail basis of freight computation?

Mr. FAIRLESS. I don't recall. We do have, we believe, a very satisfactory record in respect to our dealings with the so-called water movements of steel.

Mr. WOODEN. Those statements appear on pages 27-35 of the Commission's report to the Senate and on page 23 of its report to the

President in November 1934. Summarizing them, there were 72 protestants. Twenty-eight of them were industrial concerns, 8 were water transportation agencies, 4 were associations devoted to improvement of rivers and canals, 4 were local chambers of commerce, and 12 were United States Senators and 14 were Members of the House of Representatives. Would you say in view of those facts that the objections to that phase of the basing point system are based on abstract criteria?

Mr. FAIRLESS. I can only repeat, Mr. Chairman, that the United States Steel Corporation's subsidiary companies have various plants located on the inland waterways or adjacent thereto, and we believe that we have a very clear understanding of the method of dealing with water deliveries, and we do not charge, as has been inferred, the full rail freight. We do give the customer the benefit of water shipments where it is justified in our opinion, and where it isn't justified we think we have very definite reasons for not allowing it. Where it is, we give due allowance for water deliveries or rail and water deliveries, and do not charge the all rail freight, and we have the record here to prove that statement. This is just our own record. This hasn't anything to do with the industry; this is just the United States Steel Corporation's record. It is important, I believe.

Total water shipments in 1937, 1,129,884 tons. Actual water rate charged, 344,622 tons. Rail rate from nearest basing point less-than-water rate from mill, 725,584 tons. That is an important point. Many people, who are not familiar with the steel business, are of the opinion that any time steel moves by steamers and barges from Pittsburgh down the Ohio River that it represents a saving in transportation costs, but that isn't true because of the workings of the multiple basing point system. For example, for sheets, strip and other products delivered to Cincinnati, which is an important consuming point from the base point of the American Rolling Mill at Middletown, which is the nearest basing point to Cincinnati, the rail freight rate is less than the published water rate from Pittsburgh. While we deliver, while we avail ourselves of the water transportation facilities which we own and avail ourselves of the saving, yet it is just a matter of that much less freight absorption, and that tonnage amounts to 725,584 tons. Price concessions made equal to water transportation saving, 41,513 tons. By that we mean even where we are in competition with a competitor who cannot serve a customer by water and we can, we may make price concessions in our base prices to cause ourselves to be competitive.

The tonnage out of that total where we actually charged the all rail freight and delivered by water, for that year was 18,165 tons, or 1.6 percent of a total tonnage moved by water of 1,129,884 tons. You might say, "Why?" The reasons, we believe, are very obvious and very understandable. There are some people, some customers, who can take water shipments. They are located on the water, but they have competitors whom we also serve who are located 50 miles inland, or X miles inland. We feel that we would not be fair to the inland customer if we put his competitor in an advantageous position by furnishing the same products in the same locality at a lower price. Therefore, we charged the rail freight in those cases, out of that total tonnage which I have given you for that year, covering 18,165 tons for the whole United States Steel Corporation.

Mr. WOODEN. You state in your pamphlet, do you not, "Exhibit No. 1418,"¹ that there are occasions when by using a lower or cheaper mode of transportation than all-rail you get an increment above your base price?

Mr. FAIRLESS. That would be true in these 18,165 tons to the extent represented by transportation. It doesn't necessarily mean, however, that we received in excess of our announced price including the transportation charges.

Mr. WOODEN. But doesn't your pamphlet describe how so-called phantom freight arises out of a situation where the mode of transportation actually used is cheaper than the all-rail basis?

Mr. FAIRLESS. Well, again I believe that you are dealing with theories and I am dealing with facts. Now I have given you the facts.

Mr. WOODEN. Is your pamphlet dealing with theories also or is it dealing with facts? Doesn't your pamphlet show that you get what is called phantom freight by using a mode of transportation that is cheaper than the all-rail basis?

Mr. FAIRLESS. It doesn't. We have issued no pamphlet showing how we secure phantom freight.

Mr. WOODEN. I am referring to Exhibit 1418 which is in evidence here. Don't you show that very thing in that pamphlet?

Mr. FAIRLESS. Well, anything that is in that pamphlet I will stand back of.

Mr. WOODEN. Don't you know whether that is in it or not?

Mr. FAIRLESS. Not as you put it I wouldn't know.

Mr. WOODEN. Do you know if there is anything in there discussing phantom freight arising out of the use of cheaper modes of transportation than all-rail?

Mr. FAIRLESS. Well, discussing it, I imagine, yes, of course. It discusses every phase of the so-called multiple-basing-point system.

Mr. WOODEN. And that is one phase of it.

Mr. FAIRLESS. That is one of your phrases. It is not one of our phrases. We did not coin the name "phantom freight."

Acting Chairman KING. The committee will recess until Monday morning at 10:30.

(Whereupon, at 12:50 p. m., an adjournment was taken until Monday, January 29, 1940, at 10:30 a. m.)

¹ Appendix, pp. 14619 ff.

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

MONDAY, JANUARY 29, 1940

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:35 a. m., pursuant to adjournment on Saturday, January 27, 1940, in the Caucus Room, Senate Office Building, Mr. Joseph J. O'Connell presiding.

Present: Mr. O'Connell (acting chairman), Senator King, Messrs. Davis and Ferguson.

Present also: Sumner T. Pike and John V. W. Reynders, representing the Department of Commerce; Walter B. Wooden, Assistant Chief Counsel, Willis J. Ballinger, Director of Studies for the Federal Trade Commission; and Hugh E. White, economist, representing the Federal Trade Commission.

TESTIMONY OF BENJAMIN F. FAIRLESS, PRESIDENT, UNITED STATES STEEL CORPORATION, NEW YORK CITY, AND AVERY C. ADAMS, VICE PRESIDENT, UNITED STATES STEEL CORPORATION, PITTSBURGH, PA.—Resumed

Mr. FAIRLESS. Mr. Chairman, I have a matter I would like to call to the attention of the committee. You will recall on Friday afternoon we offered for the record an article from the April issue, 1939, of *Iron Age*.¹ The clerk now has this article, but so far it has not been received into the record. You will recall that Acting Chairman King then suggested that this article might be put in later. If agreeable to the committee, I suggest at this time that the *Iron Age* article be now received into the record.

Acting Chairman O'CONNELL. It will be received in the record and inserted at the close of your testimony today. That was the understanding that I had with Senator King. I think Mr. Wooden has the article.

Mr. WOODEN. There is no objection to receiving it in that way Mr. Chairman, except I might make this observation, that it seems to me those who are responsible for the making of the statements that are referred to in the article should make the statement here rather than in this indirect way through the channels of a trade magazine.

Acting Chairman O'CONNELL. We discussed this when Senator King was here last week and I believe it was his judgment that it should be included in the record, and it will be.

(The article referred to was marked "Exhibit No. 2202" and is included in the appendix on p. 14430.)

Mr. WOODEN. Mr. Fairless, I am showing you what purports to be a mimeographed circular letter issued by the Executive Secretary of the American Iron and Steel Institute under date of June 3, 1935, and enclosing a copy of a draft of preamble and resolutions adopted by the Board of Directors at a meeting held on June 3, 1935. You said the other day that you didn't know anything about such a resolution. Are you willing to accept the documents that I show you as containing the text of such resolution?

Mr. FAIRLESS. Judge, the only point that I was making was that I was not a director of the Institute at that particular time and therefore I couldn't personally be acquainted with the transactions of the board of directors.

Mr. WOODEN. But you knew such a resolution had been adopted, I presume, at the time.

Mr. FAIRLESS. No; I did not, sir. If I did, at the moment I don't recall it.

Mr. WOODEN. I believe you said you didn't know anything about a resolution of the industry ratifying the resolution of the board of directors.

Mr. FAIRLESS. That is correct; I did not.

Mr. WOODEN. And I called your attention to the fact that the trade press said 90 percent of the industry joined in those resolutions. Didn't the Republic Co., with which you were then connected, join in them?

Mr. FAIRLESS. I can't answer, I wasn't President of the Republic Steel Corporation.

Mr. WOODEN. What were you in June 1935?

Mr. FAIRLESS. Executive vice president of Republic.

Mr. WOODEN. Yet you don't know of any resolutions extending the code by voluntary resolutions?

Mr. FAIRLESS. I have answered your question, Judge.

Mr. WOODEN. Mr. Chairman, I am ready to establish the source of those resolutions by another witness unless the present witness is willing to accept them as being authentic.

Mr. FAIRLESS. I am perfectly willing to accept them; I don't question them. I just simply answered the question.

Acting Chairman O'CONNELL. I take it that I am responsible for the difficulty that you are having because it was my view that documents like that would, in accordance with the procedure of the Committee, have to be identified by someone in position to do so. It isn't a question of whether Mr. Fairless will accept them or not. I think that if you have a witness who can be called to testify to the authenticity that is the way to do it and it shouldn't take more than a minute.

Mr. WOODEN. I will then call Mr. White.

Acting Chairman O'CONNELL. Do you solemnly swear that the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WHITE. I do.

**TESTIMONY OF HUGH E. WHITE, FEDERAL TRADE COMMISSION,
WASHINGTON, D. C.**

Mr. WOODEN. Mr. White, you are an employee of the Federal Trade Commission?

Mr. WHITE. I am.

Mr. WOODEN. How long have you been such employee?

Mr. WHITE. Since April 1922.

Mr. WOODEN. Will you state whether you had occasion during 1934, '35, or '36 to visit the offices of the American Iron and Steel Institute?

Mr. WHITE. I did.

Mr. WOODEN. Did you examine files there and obtain documents from their files?

Mr. WHITE. Yes.

Mr. WOODEN. I am showing you two papers, one purporting to be a circular letter of Walter S. Tower, Executive Secretary of the American Iron and Steel Institute, June 3, 1935, and attached copy of draft of preamble and resolutions adopted by the Board of Directors of the American Iron and Steel Institute, marked "Exhibits Nos. 2203 and 2204" for identification. Have you examined those papers?

Mr. WHITE. Yes, sir.

Mr. WOODEN. Will you tell us what you know about them?

Mr. WHITE. These papers were secured during the progress of an investigation into the practices of the steel industry in respect to merchandising steel sheet piling and was made in response to the direction of the President. Whether they were given to me by Mr. Tower personally or by his office manager I don't recall. They were taken from the file of the Federal Trade Commission, File 1-9268, which is the investigation file covering the subject. They were marked by me shortly thereafter.

Mr. WOODEN. Mr. Chairman, I offer them in evidence for the record.

Acting Chairman O'CONNELL. They may be received.

(The documents referred to were marked "Exhibits Nos. 2203 and 2204," respectively, and are included in the appendix on p. 14434.)

Mr. WOODEN. Mr. White, I show you a paper entitled, "Resolution adopted by members of Iron and Steel industry assembled at American Iron and Steel Institute, June 6, 1935," and ask you to state what you know about it.

Mr. WHITE. This exhibit was received under similar circumstances and purports to be a resolution adopted by members of the iron and steel industry assembled at the American Iron and Steel Institute, June 6, 1935.

Mr. WOODEN. What do you know about the paper itself? Where did it come from?

Mr. WHITE. It was received under similar circumstances, whether from Mr. Tower personally or from his office manager I do not recall. It was marked by me at that time.

Mr. WOODEN. I offer that document in evidence.

Acting Chairman O'CONNELL. It may be received.

(The document referred to was marked "Exhibit No. 2205" and is included in the appendix on p. 14435.)

N. R. A. CODE PROVISIONS CONTINUED AFTER N. R. A. INVALIDATION

Mr. WOODEN. Those resolutions ("Exhibits Nos. 2204 and 2205") show action of the industry by the Board of Directors of the Iron and Steel Institute continuing in effect the provisions of the Code of Fair Competition after the code itself had been declared invalid as a result of the Schechter decision, and I call the committee's attention to the fact that in so continuing the code it included the so-called Standards of Fair Competition of the code and in turn that included the operation of the basing point system of delivered prices, and we have already in evidence the fact that some of these so-called commercial resolutions implementing the code and the basing point system under the code have been continued in effect to the present time. I refer to the resolutions relating to the use of arbitrary switching charges at certain basing points and I should like to offer the resolution which is in question about the use of arbitrary switching charges.

(Senator King assumed the Chair.)

Acting Chairman KING. Where does that appear?

Mr. WOODEN. It is in a volume composed of all the so-called commercial resolutions which the board of directors of the Institute adopted during the code period. May the reporter number this resolution?

Acting Chairman KING. Have you a separate copy?

Mr. WOODEN. No.

Mr. FAIRLESS. Mr. Chairman, I should like simply to mention, and I am sure the judge will agree, that rather than refer to the American Iron and Steel Institute board of directors during the operation of the code, it really should be the Code Authority. It so happened that the Code Authority was comprised of the Directors of the American Iron and Steel Institute augmented by certain Government people, but it functioned as a Code Authority rather than the American Iron and Steel Institute.

Acting Chairman KING. Is there any controversy as to the personnel?

Mr. WOODEN. I brought this out the other day, that the board of directors was the Code Authority and so constituted by the code itself.

Mr. REYNOLDERS. With the addition of several Government officials.

Mr. WOODEN. They sat in on some of the operations and meetings of the Code Authority, but at no time that I am aware was the code amended to make them members of the Code Authority.

Acting Chairman KING. Who were the members of the Code Authority, Mr. Fairless?

Mr. FAIRLESS. As I understand the operation, the American Iron and Steel Institute board of directors, augmented by a certain number of Government officials, the exact number of whom I don't remember, functioned as the Code Authority. Now independent of the Code Authority, the Board of Directors of the American Iron and Steel Institute continued to function as such in respect to any matters pertaining to the Institute that were not a part of the functions of the Code Authority. I think I am correct in that.

Mr. WOODEN. Mr. Fairless, are you willing to accept the document under discussion as being a copy of the resolution of the board of

directors regarding the use of arbitrary switching charges at certain basing points?

Mr. FAIRLESS. During the code?

Mr. WOODEN. Yes.

Mr. FAIRLESS. I will accept any of the commercial resolutions that were adopted by the Code Authority.

Mr. WOODEN. You accept this one?

Mr. FAIRLESS. I do.

Mr. WOODEN. Then, Mr. Chairman, I will offer it as it stands.

Acting Chairman KING. It may be received.

Proceed.

(The document referred to was marked "Exhibit No. 2206" and is included in the appendix on p. 14435.)

Mr. WOODEN. I should like to read for the committee's information the text of this resolution which we have ascertained is still in effect, and the pamphlet of the Corporation so states.

This is Commercial Resolution A-4 as amended June 14, 1934, effective June 31, 1934, preamble and resolution duly adopted by the Board of Directors as amended on June 14, 1934, with respect to switching charges to be added to base prices for products delivered at basing points.

You see, this is an implement of the basing-point system.

Whereas it is provided in Section 4, Schedule E of the Code that when switching charges for the delivery of the product at a basing point are required to be added in determining the delivered price of such product pursuant to the provisions of said Section 4 the Board of Directors may by resolution fix such an arbitrary switching charge or such arbitrary switching charges for the delivery of such product as the Board shall deem proper with a view to preventing unequal competitive conditions in respect of the sale of such product for delivery at such basing point; and

Whereas a great diversity in the switching charges exists at the various basing points and on that account it is practically impossible in most cases for members of the code to ascertain in advance of the sale of any product for delivery at any basing point, the correct published tariff switching charges chargeable thereon pursuant to the provisions of said Section 4; and

Whereas the Board has been advised that the arbitrary rates prescribed in the following resolution are fair averages of the actual switching rates now in effect in the switching areas of the respective basing points at which such rates are to be applied;

Resolved that the Board of Directors hereby fixes, for the purposes of the provisions of Section 4 of Schedule E of the code, arbitrary switching charges for the delivery of any product at any basing point for such product named in Schedule F of the code, except pig iron sold for delivery in Jefferson County, Alabama, from any furnace located in that county, as follows:

(a) for deliveries in carload lots (minimum thirty tons) at Chicago, Illinois, and Gary, Indiana, and for deliveries in such carload lots from either of such places to the other, sixty cents per net ton, or, if the published base price for such product at such basing point is stated per gross ton, then sixty cents per gross ton;

(b) for deliveries in carload lots (minimum twenty-five tons) at all other basing points named in Schedule F of the Code, fifty cents per net ton, or if the published base price for such product at such basing point is stated per gross ton, then fifty cents per gross ton; and

(c) for deliveries in less-than-carload lots at all basing points named in Schedule F of the Code, and for deliveries in less-than-carload lots from either Chicago, Illinois, or Gary, Indiana, to the other of such places, ten cents per hundred pounds, but not in any case exceeding on any one shipment the charge per carload at the carload rate hereinabove specified for the basing point in question.

What is the switching area, Mr. Adams, of the Chicago basing point?

Mr. FAIRLESS. You mean in respect to areas, Judge?

Mr. WOODEN. Yes; I mean what area is covered by the Chicago switching district.

Mr. FAIRLESS. We can't answer that. It is defined by the railroads, not by the steel industry. I can give you the rates that apply.

Mr. WOODEN. No; I want to know what the area covered by the switching district is. Can you tell us, Mr. Adams?

Mr. ADAMS. I can't tell you exactly.

Mr. WOODEN. Approximately. Does it go around to Gary on the south of Chicago?

Mr. ADAMS. No; it doesn't extend down to Gary.

Mr. WOODEN. Can't you tell us what area it does cover?

Mr. ADAMS. I can't tell you specifically; no; because it is established by the railroads.

Mr. WOODEN. You know what it is, don't you?

Mr. ADAMS. I know approximately.

Mr. WOODEN. Tell us approximately.

Mr. ADAMS. Well, I would say an area of within 15 miles of Chicago, the center of Chicago, would be my approximate guess, Mr. Wooden.

Mr. WOODEN. Are you guessing?

Mr. ADAMS. I am guessing; yes, sir. I don't know exactly.

Mr. WOODEN. Do you know what the switching area of the Pittsburgh district is?

Mr. ADAMS. I can't tell you exactly.

Mr. WOODEN. What is your approximate answer on that?

Mr. ADAMS. It is slightly smaller than the Chicago area.

Mr. WOODEN. But they cover the area of a number of producing plants, do they not?

Mr. ADAMS. Yes; they will take in a number of producing plants.

Mr. WOODEN. They take in a number of competitive producing plants, competitive with your own mills, do they not?

Mr. ADAMS. I would say "Yes."

Mr. WOODEN. Mr. Chairman, I just want the committee to understand that here is an instance where the basing point system of delivered prices in the switching areas of the various members have been fixed by the action of the Board of Directors of the Institute, and those particular switching charges are still in effect. As the resolution cites ("Exhibit No. 2206") the actual switching charges of the different mills in those areas differ, and this resolution standardizes by an arbitrary imposition of what the arbitrary charge shall be in being added to the basing point price to get the delivered prices in those switching areas, and if the basing point price is the same for the various mills in that area, the delivered price within those switching areas must become identical, because here is a prescription of the amount that must be charged, regardless of the actual switching charges.

Mr. O'CONNELL. Mr. Wooden, if I understand your point, the discussion had on Saturday relative to whether or not the arbitrary prices were below or above the actual on the average, makes no difference. In other words, whether the arbitrary switching charge be lower or higher than the actual, your point is that it is for the purpose of establishing one of the elements of the selling price.

Mr. WOODEN. Right, but it is higher than some actual and lower than other actual. It is an arbitrary standardization of the switching charge, regardless of what the actuality is.

Mr. O'CONNELL. But you would think your point was well taken if the switching charge were lower than average. It doesn't make any difference. The point is, to stabilize one of the elements of cost. That is your point.

Mr. WOODEN. Except this: Where the arbitrary charge is higher than the actual, as Corporation statement admits, that results in so-called phantom freight by the amount of that difference and an increment above the base price.

Mr. WOODEN. Mr. Fairless, will you accept the document I show you for identification as an authentic document of the Board of Directors of the Institute, known as Commercial A-18, effective June 1, 1934?

Mr. FAIRLESS. I am perfectly willing to accept any resolution that you have to offer that has to do with the steel code. However, I wish to state in respect to all these resolutions, and anything that has to do with the operation of the steel code, that they are now not in effect as such in the United States Steel Corporation.

Mr. WOODEN. But they are in effect in the industry, as your pamphlet states, and as you have testified—the one I have showed you.

Mr. FAIRLESS. Our pamphlet does not state that anything having to do with the steel code is in effect.

Mr. WOODEN. But the practice involved in this resolution is still carried on, is it not?

Mr. FAIRLESS. I should like simply to make a very simple statement to the committee. When the steel code was formed, and built, irrespective of what any of us might think of the situation then existing, past practices of the industry were very carefully considered and those that were felt to be in harmony with the best interests of the public in general were adopted as principles of the code. Also during the building of the code and its functioning, from time to time certain weaknesses developed and those weaknesses were covered, or corrected rather, by certain resolutions, and these are the resolutions, some of them commercial and some of them with respect to other features.

Mr. FERGUSON. Mr. Fairless, counsel asked you whether this particular practice was still, in effect, being carried out.

Mr. FAIRLESS. Mr. Ferguson, I am just coming to explaining exactly how it operates. Now these new resolutions covered various weaknesses, or apparent weaknesses, and they came up for adoption and were adopted, and they were put into effect. Now some of the practices have been continued and I have no argument with the judge in respect to this so-called arbitrary switching charge, I have no argument about it at all, but I do say that the reason it has been continued, and any features that have been continued—they have been continued because they have been proven to be fair and acceptable to the buyers and the sellers of steel, and they are not continued in any respect on the basis of a continuation of the steel code or any resolutions pertaining thereto.

Mr. WOODEN. Not even the resolution continuing the code in effect which you were shown a while ago?¹ You say the thing that has been done, and continues to be done, has not been done pursuant to the resolution that was to continue the code in effect.

¹ "Exhibit No. 2204," appendix, p. 14434.

Mr. FAIRLESS. Is that your statement? My answer is that the steel code is not in effect.

Mr. WOODEN. But these particular outgrowths and developments of the steel code are still in effect.

Mr. FAIRLESS. I believe I have made my position clear.

Mr. WOODEN. Mr. Chairman, I would like to offer for the record, this exhibit, which is commercial resolution A-18, effective June 21, 1934. We have been over the subject matter but I want to bring out the text of this resolution for the committee's information.

Acting Chairman KING. It may be admitted.

(The document referred to was marked "Exhibit No. 2207" and is included in the appendix on p. 14436.)

Mr. WOODEN. Preamble and resolution duly adopted by the board of directors on June 14, 1934, authorizing reductions in the delivered prices for products delivered by truck provided by the purchaser:

Whereas it is provided in Section 4 of Schedule E of the Code that in any case in which a product shall be delivered by other than all-rail transportation the member of the Code selling such product may allow to the purchaser a reduction in the delivered price otherwise chargeable under the provisions of said Section at such rate previously approved by the Board of Directors and filed with the Secretary as the Board of Directors shall deem equitable and necessary, in order that competitive opportunity to producers and consumers of products shall be maintained; and

Whereas on recommendations heretofore made to the Board of Directors it approved rates of such reductions by members of the Code to purchasers of products delivered by truck provided directly or indirectly by such purchasers and for their account which the Board deemed and now deems to be equitable and necessary, in order that competitive opportunity to producers and consumers of products shall be maintained;

Resolved that in any case in which any purchaser shall require that any product purchased by him from a member of the Code be delivered by truck and such truck is provided, directly or indirectly, by such purchaser and for his account, such member of the Code may allow a reduction in the delivered price for such product otherwise chargeable under Section 4 of Schedule E of the Code and the regulations prescribed by, and the resolutions adopted by, the Board of Directors thereunder and then in effect (a) at rate equal to 65% of the carload all-rail published tariff freight rate on such product from the point at which transportation of such product by truck began to the place of delivery of such product by truck to such purchaser (if such freight rate be published on a per car basis, the rate per ton shall be determined by dividing such charge per car by 25), or (b), if the transportation by such truck be at a basing point for such product, then at a rate equal to 65% of the rate of the applicable arbitrary carload switching charges, if any, at such basing point theretofore approved by the Board of Directors, or, if such Board shall not have approved a rate of arbitrary carload switching charges for such basing point, 65% of the rate per ton of the actual switching charges (computed on the basis of the minimum carload quantity to which such charges apply) applicable on the delivery of such product at such basing point under the provisions of said Section 4, from the point at which transportation of such product by truck began to the place of delivery of such product by truck to such purchaser.

There is a further proviso that I will not read, but it further requires that the truck must be loaded within 24 hours after it has begun to be loaded, and so on.

Acting Chairman KING. Do you desire that incorporated in the record, I mean the last?

Mr. WOODEN. I offered the entire document but I don't think I need read the balance of it.

Mr. WOODEN. I would just like to have the committee understand that here is a practice admittedly still in effect by the Corporation's own pamphlet and by the testimony that we have had. There is an arbitrary addition of 35 percent of the all-rail freight to a destina-

tion, even when the buyer provides his own truck or hires a truck to take it away. I have brought out for the committee's information hitherto that shippers of steel, buyers of steel and trucking companies, have gone on record in written protests to the effect of such a provision upon their business, and I would like to call the committee's attention to the fact that the amount involved in that 35 percent addition to the basing point price, when it is figured as 35 percent in terms of the all-rail freight, amounted in some instances to \$2.50, \$3.50, \$3.90 per ton. The amount of it is substantial, and important.

Mr. FAIRLESS. Mr. Chairman, could I say a word in respect to that?

Acting Chairman KING. Proceed.

Mr. FAIRLESS. I have no differences with the Judge in respect to this particular resolution, but again I wish to state to the Committee that this practice referred to in this resolution was a compulsory one under the code. Any member of the code who did not conform in every transaction to that resolution was subject to fine as provided by the code.

Now the difference in today's practice in the United States Steel Corporation and that provided by the resolution which Judge Wooden has just read, and I have no quarrel with it at all, is simply this: To begin with, during the code that so-called arbitrary allowance given to the customer when he sent a truck provided by himself or others, was one that was arrived at after very careful study, very careful study, not by just one company, but by several companies reviewing their own experiences having to do with truck deliveries over a reasonable period of time.

Naturally, to take that situation and apply it to every condition all over the United States of America brought protests, and many of them were justified. There is no question about it. But when you were dealing, as we were under the code—where you had to have a definite set-up and comply with it—naturally the big percentage, the majority, had to be taken into consideration, and that was the basis for arriving at this set-up. The code went out, and with it went this resolution. The thing that continued was the practice where it properly applied, and it continues today with respect to our particular business where it is proper. I cited to this Committee, I gave you an example Saturday, of Houston, Tex. This particular practice does not apply there, it doesn't lend itself, it would be decidedly unfair, so we do not practice it. Down there we deliver oil country goods from our Pittsburgh and our Lorain plants. We carry them in stock, and the customers, and they are many, come with their own trucks or send trucking companies to get the goods and we charge them only the handling charge, and it is a nominal handling charge, covering the cost.

Many of our wire and sheet products in various parts of the country are handled on that same basis, but as a general policy—and we say "general" because it does apply fairly to a very large percentage of our products—this 65 percent credit as applied to the all-rail freight rate is fair and is practiced by the United States Steel Corporation, and we have no apologies for it because it is accepted by our customers. Any time that any customer or group of customers feels that an injustice has been done or is being done, he can come to the proper officials

of the subsidiary company of the United States Steel Corporation and I am sure he will go away a happy man.

Acting Chairman KING. Were there inequalities among the consumers, purchasers, under the code with respect to the switching charge to which the Judge has just referred?

Mr. FAIRLESS. The switching charge? No, I don't think so with respect to the switching charge, for this reason. As I read here Saturday, in the Pittsburgh district the minimum switching charge is 55 cents, and the maximum is 99 cents. The charge that we make for switching in that Pittsburgh district is 50 cents, so therefore it is under even the minimum charge.

In Chicago the minimum charge is 65 cents and the maximum is 90 cents. Our charge is 60 cents.

Acting Chairman KING. I recall those figures.

Mr. FAIRLESS. In one district—and as I stated in my earlier testimony, I do not have the facts to know to what extent—our charge is greater than the minimum. In other words, in Cleveland it is 42 cents versus our charge of 50, but the maximum, however, is 84 cents. Where the average would fall I don't know.

Acting Chairman KING. To what extent has there been a departure by your company, and so far as you know by other producing companies of steel, from the provisions of the code¹ to which the Judge has just called our attention?

Mr. FAIRLESS. The trucking provisions?

Acting Chairman KING. Yes.

Mr. FAIRLESS. Tremendous departures.

Mr. WOODEN. Why then—

Acting Chairman KING (interposing). One moment, Judge.

Mr. FAIRLESS. I have cited the Houston situation and it applies to the Columbia Steel Co. on the Pacific coast. There are exceptions all over this country.

Acting Chairman KING. Then, you would say that the letter and the spirit of that resolution is not adhered to now by your company?

Mr. FAIRLESS. It is only adhered to now where it is a fair situation in respect to the consumers of our products.

Acting Chairman KING. Where it is practical—and of course we have to accept your view as to what is practical, I suppose, that is, you have given your view, you determine whether it is practical or not—does that work any injustice to the public or to the consumer?

Mr. FAIRLESS. In our opinion it does not.

Acting Chairman KING. Is it a fair rate to be charged, is it commensurate with the responsibilities and the duties performed by the company?

Mr. FAIRLESS. We think so.

Acting Chairman KING. You do not believe it to be an unjust charge?

Mr. FAIRLESS. No, in other words, we are not trying to make any profits through trucking or nontrucking of our products by customers.

Mr. WOODEN. Senator, I would like to point out with regard to the arbitrary switching rates, it isn't a question of their fairness but the effect is to make the delivered prices within the switching areas identical to all buyers within those switching areas.

¹ "Exhibit No. 2207," appendix, p. 14436.

Mr. FAIRLESS. And we are proud of that.

Mr. WOODEN. Not only for you but for the industry. Now you make yours identical with the delivered prices of your competitors in that industry by use of that resolution, or the principle involved in that resolution.

Mr. FAIRLESS. We do not admit that.

Mr. WOODEN. That is the effect. Why do you say, Mr. Fairless, that you make exceptions and departures from this when you say in "Exhibit No. 1418"¹ your pamphlet, that this practice has been generally followed since the code, in referring to these arbitrary switching rates?

Mr. FAIRLESS. In referring to the arbitrary switching rates?

Mr. WOODEN. Yes, you say the practice has been generally followed. Now you say it isn't generally followed.

Mr. FAIRLESS. No, I didn't say that with respect to the switching rates. I admit they are followed.

Mr. WOODEN. All right, you say the Corporation doesn't follow them.

Mr. FAIRLESS. We are talking about trucking.

Mr. WOODEN. I am talking about switching now.

Mr. FAIRLESS. My answer here has been on trucking. Did I make it clear?

Mr. PIKE. It was very clear to me.

Mr. WOODEN. The Senator was talking about switching charges.

Mr. FAIRLESS. No.

Mr. WOODEN. Yes; he did at first.

Acting Chairman KING. I was about to call attention, if the judge will permit me, to "Exhibit No. 1418," and I read:

Undoubtedly the additional cost and inconvenience of loading trucks justifies an extra charge, particularly at older mills which were planned exclusively for car-loading, and offer little possibility for installation of truckloading facilities.

In summary, the answers to the criticism of "phantom freight" supposedly realized by steel mills on truck deliveries may be summarized in the following points: first, only an extremely small proportion of steel tonnage is delivered by trucks, partly because many products cannot be economically hauled by truck, and partly because large consumers prefer rail delivery. Secondly, truck movements frequently result in freight absorptions, sometimes because of the 65% allowance for shipments in buyers' own trucks, and also, because of deliveries within the switching limits of basing points, where only the "switching arbitraries"—

Mr. FAIRLESS (interposing). We admit they are arbitrary.

Acting Chairman KING. [Reading further from "Exhibit No. 1418":]

are included in the delivered price. Third, the rates of common carrier trucks, regulated by governmental agencies, are seldom much lower than rail freight rates, and sometimes are higher. Fourth, at the majority of mills it costs more to load steel into trucks than to load into railroad cars, and furthermore delivery to trucks involves inconvenience, loss of time, and other similar considerations which cannot easily be translated into dollars and cents. It seems clear that the mills are not profiting as a result of truck deliveries. The criticisms on this score are more theoretical than real.

Does that substantially reveal the situation now with respect to the matter indicated in the sentences which I have just read?

Mr. FAIRLESS. Yes, sir.

¹ Appendix, p. 14619.

Mr. WOODEN. Senator, I would like to point out the fact that if some mill made an allowance of 66 percent instead of 65 percent, it would throw off the delivered price to that extent, and this resolution, still in effect, and according to the corporation's own statement in "Exhibit No. 1418," says that generally exists in the industry.

As to the matter of cost, Mr. Adams has testified that it had some relation to cost, but the obvious fact is that the costs of various mills differ and this is at least a 35 percent standardization; and furthermore the 35 percent applies to the all-rail freight rate, which means if you apply a fixed percentage to a varying base figure, you get all sorts of variations in actuality. It can, therefore, have no real relation to the actual costs of any particular mill.

Mr. REYNERS. Was it not brought out on Saturday, where you arrived at a disproportionate charge, that an adjustment was made in that allowance in case of falling prices?

Mr. WOODEN. I don't know just what you mean. Do you refer to freight absorption?

Mr. REYNERS. I refer to the fact, as I remember it, that the steel corporation, where the charge—this remnant of 35 percent, became unreasonable, that then the corporation made an adjustment.

Mr. WOODEN. I don't know about that, but the statement in the pamphlet is that that practice of using the 35 or 65 percent, as you view it, is generally practiced in the industry.

This resolution¹ regarding the arbitrary switching charges recites that it was impossible to ascertain in advance of the sale the correct published tariff switching charges. Why was it important to ascertain that in advance of the sale unless you wanted to make the sale at a delivered price and make it according to a stated figure for the switching charge?

Mr. FAIRLESS. I don't believe I understand your question, Judge.

Mr. WOODEN. Read it, please.

(The reporter read the question.)

Mr. PIKE. That is not the question. I think you have "important" where the Judge said "impossible."

Mr. WOODEN. Important is right.

Mr. PIKE. I thought you said impossible.

Mr. FAIRLESS. The answer, I believe, to your question is that we sell our steel products on a delivered-price basis; we quote on that basis. Naturally we must know the transportation costs involved or we could not quote the delivered price.

Mr. WOODEN. You don't have to know an arbitrary charge. Why don't you use your actual charge and be done with it?

Mr. FAIRLESS. I have given our reason. The record is complete so far as I am concerned.

Mr. WOODEN. If you used your actual switching charge, you would have different delivered prices, would you not, from competitors using a different switching charge rate?

Mr. FAIRLESS. More important than that, we would have——

Mr. WOODEN (interposing). Is not that a fact?

Mr. FAIRLESS. As you stated it, it is absolutely a fact, but more important than the way you put the question is that also we would have customers, actual customers competing with each other in the same switching area, that we would be charging various prices for steel.

¹ "Exhibit No. 2206", appendix, p. 14435.

Our only difference, as I see it, is the basis for uniformity. Your contention is that it is from a competitive standpoint, and my contention is that it is to treat all our customers within a single area on the same basis.

Mr. WOODEN. Did not the resolution itself ("Exhibit No. 2206") recite that it was from a competitive standpoint that this arbitrary switching charge was to be imposed?

Mr. FAIRLESS. During the code, when it was compulsory to arrive at uniform prices; you must have some basis.

Mr. WOODEN. But this practice, you state in your pamphlet, is still generally in effect.

Mr. BALLINGER. Mr. Fairless, why should you be very anxious to put the buyers of steel on the plane of equality if for instance they have unequal costs in transportation. For instance, I am a buyer of steel, and I enjoy a natural advantage in transportation, namely it is cheaper to ship to me than to ship to my competitor; why should you be anxious to penalize me for my advantage?

Mr. FAIRLESS. We are not, Mr. Ballinger, but the thing we attempt to do is to treat all customers alike price-wise in their respective territories. There may be every reason, and there are, why a manufacturer located in Boston might not expect to realize the same delivered price as one located in Chicago, but our policy is that all of our customers in Boston and particularly those that are in competition in Boston, should receive the same delivered price from us, and all those in Chicago should receive the same delivered price from us.

Mr. BALLINGER. Even if they enjoy an advantage, one buyer, namely, that his switching charge in actuality should be less; that is one of the advantages he enjoys in business?

Mr. FAIRLESS. When you get into a switching area, the advantage is not very big, and the practical workings of this industry would bring about a uniform charge. In other words, to make my point clear, if we did not have this so-called arbitrary switching charge in Pittsburgh, my opinion and judgment—knowing the workings of this industry—are that the charge would be 55 cents, because that happens to be the minimum charge in the district.

That is where competition would finally finish. The minimum charge in a particular district would be the practical charge.

Mr. BALLINGER. But the maximum charge might throw you off; wouldn't it?

Mr. FAIRLESS. You wouldn't charge, in a practical way, that maximum charge.

Mr. BALLINGER. I thought switching charges varied with the actual transaction, an actual switching charge for a transaction.

Mr. FAIRLESS. Not within the switching limits. You see, this Pittsburgh district is defined by the railroads. Your question is, if you happen to be a buyer there, as I understand it, you have this minimum, and a competitor of yours has the 99, the maximum; why should you not enjoy that advantage? Well, my answer to that is competition. You might be my customer, at least I hope you would be if you were there, and the 99-cent fellow might be X company's customer; the 99-cent fellow would go to his source of supply, and I am sure, knowing the workings of this industry, that he would finish at the 55-cent charge, so your so-called advantage would vanish.

Mr. WOODEN. Why is it necessary to have a resolution defining this with such great exactitude in that event?

Mr. FAIRLESS. Well, Judge Wooden, I don't know why I should keep explaining the code. You know the code, you knew the N. I. R. A.

Mr. BALLINGER. Why wouldn't competition work it out? Why have a resolution about it?

Mr. FAIRLESS. Every transaction, every commercial transaction, in the steel industry during the code was handled in that manner.

Mr. BALLINGER. You give a beautiful point that competition would work this out, but then you give an arbitrary resolution about it. This would be a beautiful chance for the industry to prove it is competitive, let it alone, let competition settle it. Why have an arbitrary resolution?

Mr. FAIRLESS. It isn't a resolution. We could name, or any subsidiary of the United States Steel Corporation could name, any delivery charge in any of these districts they choose; we are not bound by any resolution.

Mr. WOODEN. But the practice continues according to the principles stated in the resolution.

Mr. FAIRLESS. It does, and it does so because it is fair and because it is practical, because it is reasonable and because it is accepted by the buyers of steel.

Mr. BALLINGER. Switching to another point, this question of trucking, if trucking is more economical, after you make allowance for all cost and the fellow owns his own trucks, you say you don't want to let him take his material away in trucks because it wouldn't put all buyers on an equal plane. This raises the point a little more forcefully because there might be genuine economies in this illustration of considerably greater magnitude than switching charges. I ask you why is it that you want to put a man who buys for delivery by truck and a man who buys for delivery by rail on a parity, when there may be an economy from trucking. You don't get the transportation charge anyway, and if he wants to elect a cheaper method of transportation, isn't he exhibiting what we call capitalistic initiative, and you are sort of penalizing him at that point and saying he can't do it.

Mr. FAIRLESS. We are not penalizing him at all and we are not trying to dictate to him the type of transportation that he might select. We are only pointing out to this committee that our mills were built and laid out, designed, to transport steel through the railroad method. That was the only method in existence at that time. We are also pointing out to this committee that in respect to our delivered prices in any particular locality if it is cheaper for the delivery to be made by truck it is perfectly, of course, perfectly all right with us that delivery be made in that manner, but we do want a method of handling that transaction that will insure uniformity to all buyers of our product in that locality, and if he chooses not to use trucks it is all right.

Acting Chairman KING. That is to say, if I understand you, if you circumscribe an area, say 100 miles in diameter, and if you sell to half a dozen plants in that field of operation, some of the purchasers would prefer to haul from your plant by truck, others would utilize the rails, and your view is that you should see that all of your purchasers would have the same price for steel within that area.

Mr. FAIRLESS. Yes.

Acting Chairman KING. And that one who hauled by truck might not have advantage over the man who obtained his by rail.

Mr. FAIRLESS. Yes; and also that we would be compensated for the extra costs that we have in handling truck shipments versus railroad shipments. There is an invoice for every truckload of steel just the same as there is for every carload of steel; in one case you are dealing with 5 tons, 3 tons, 10 tons, versus 50 or 70 tons. We would have trucks coming in at all hours of the night disturbing our schedules of loading. It would entail keeping billing clerks and loading forces out waiting for a truck to arrive that had been scheduled. The customer wants the material, and there are many additional costs. I wouldn't testify before this committee and say that in each and every single transaction the 65 percent allowance was perfectly adequate and we didn't gain or we didn't lose, or that it was a break-even in every case; it isn't, but to the best of our judgment and to the extent to which our studies have provided the information, it is the best reasonable average where it can be applied. There are points, and many of them, where it can't be applied at all, and there we negotiated with the user of steel and we arrive at a satisfactory basis.

Acting Chairman KING. I assume from your statement just made that in some cases it costs more to the company, to the mill, to take care of the trucking exports, and so on, than it would if you shipped by rail.

Mr. FAIRLESS. Oh, yes.

Acting Chairman KING. It is a disadvantage to the company to ship by trucks?

Mr. FAIRLESS. It is a disadvantage, yes, cost-wise. Then there is a safety factor. Keep in mind if you take a plant like Gary, of course we are all reasonable men and we know that we are not talking about all of Gary's production shipped by truck, no one is, but imagine if you had to handle through the Gary works of the Carnegie-Illinois Steel Corporation, say, 10,000 tons of steel in 24 hours and handle it by truck. You just have a physical impossibility to deal with, it just couldn't be done.

Mr. REYNDERS. Mr. Chairman, I think that they will usually have to load the material first on a flat car in many instances and then in another part of the plant they will handle that material with the locomotive freight.

Mr. FAIRLESS. Well, our mills are laid out in line and the steel is finished on the finishing end and there is space provided there for bundling and the various preparations for shipment, such as oiling, wrapping, whatever the case might be.

Mr. WOODEN. Some mills——

Acting Chairman KING. Let him finish his statement.

Mr. FAIRLESS. Pardon me, and here is your railroad track, your car is provided, it is a continuous operation. You interpose trucks and you have quite a different problem, unless it is limited to a reasonably small percentage of your production. If we took our bar mills and had to ship the complete production of the Gary bar mills—they are all laid out, as any of you who have seen them know, in a row, all feeding into a common finishing department and likewise a common loading department; if the production of those mills running as they happen to be running now had to be handled by truck we would operate I would say about 2 days a week. That would be my guess.

Mr. O'CONNELL. Referring again to the N. R. A. period, as I understood the testimony, the purpose, at least one of the purposes, of having an arbitrary switching charge and a fixed percentage reduction or addition, as the case may be, for truck transportation, and so forth, was to arrive at uniformity in price during that period. That was the policy with the N. R. A. philosophy, as I would understand it, and you indicated that at that time it was a compulsory arrangement.

Mr. FAIRLESS. It was compulsory.

Mr. O'CONNELL. But these particular elements that we have been discussing were for the purpose of arriving at uniformity in price. It is no longer compulsory, but is it not fair to say that to the extent that these practices exist in the industry today they result in the same uniformity in price that you tried to get under N. R. A.?

Mr. FAIRLESS. Well, in respect to that one factor in price.

Mr. O'CONNELL. That is right.

Mr. FAIRLESS. But keep in mind that under the N. I. R. A. it wasn't just uniformity in respect to the switching charge or the allowance for trucking, it also went back to the base price.

Mr. O'CONNELL. So as of today you have a base price, you have a uniform freight rate book, you have an arbitrary switching charge, which is generally used in the industry, and you have a 35 percent addition for truckage, which is ordinarily generally used in the industry, and those are about all the elements that go to make up the price, plus the extras which are also uniform in the industry. Is that not true? All the elements that I have mentioned—

Mr. FAIRLESS (interposing). That isn't all, there are many others, but that is—

Mr. O'CONNELL (interposing). To the extent that the practices are generally used it would result in the same kind of uniformity of price that you had in the N. R. A., wouldn't it?

Mr. FAIRLESS. I don't want to be technical, but I am not going to admit that there is uniformity of the base price—start there, there is no uniformity of base price in this industry today as compared with the code.

Mr. O'CONNELL. As compared with N. R. A.?

Mr. FAIRLESS. Yes; so we have our competition beginning in the first transaction that you mentioned, base price.

Mr. BALLINGER. All these uniformities plus a uniform base price would bring you out exactly where the N. R. A. was.

Mr. FAIRLESS. Mr. Ballinger, it is my opinion—this is just a steel man's opinion—that it would be impossible to set up rules and regulations that this industry wouldn't find some way to change and be highly competitive.

Mr. WOODEN. In other words, there would be no danger, in your opinion, in permitting the industry to get together and make any kind of regulation and resolution it wanted to because you feel they wouldn't follow it. Is that right?

Mr. FAIRLESS. Certainly not. I certainly didn't say that and I certainly don't expect to let that statement stand as coming from me. That would be illegal. Now if we are operating this industry illegally, why, prosecute us and put us in jail where we would belong.

Mr. WOODEN. As a matter of fact, Mr. Fairless, some mills are much better located than others or much better equipped for handling truck deliveries than others, are they not?

Mr. FAIRLESS. Yes; in respect to markets.

Mr. WOODEN. Some of them more or less cater to truck delivery, do they not?

Mr. FAIRLESS. Cater to it?

Mr. WOODEN. Yes.

Mr. FAIRLESS. They might, they might.

Mr. WOODEN. When you charge 35 percent of the all-rail rate on delivery by truck, you have there an addition, have you not, of that amount to your base price in the form of your mill-net on that transaction?

Mr. FAIRLESS. In answer to your question, Judge, the first part of your question—I would like to answer the entire question—if I were the owner of a mill where delivery of my product by truck was more advantageous to me than by rail, I would certainly cater to trucking delivery and I would sell my goods on a basis that would produce all the sales for delivery by truck that I could get.

Mr. WOODEN. But my question is, when you charge 35 percent of the all-rail freight for delivery by truck, that 35 percent goes to increase or swell your base price by that much, doesn't it?

Mr. FAIRLESS. Less the costs involved.

Mr. WOODEN. Yes; but costs are involved in your base price as well.

Mr. FAIRLESS. Certainly. We can't run our business on the basis of giving emphasis to everything except the cost. We must consider costs in running this business.

Mr. WOODEN. The purchaser by truck who is charged this 35 percent of the all-rail freight pays you more by that amount than the rail purchaser who takes rail delivery, doesn't he?

Mr. FAIRLESS. Well, the delivered price is the same.

Mr. WOODEN. Yes; but I am talking about what you get. You get that 35 percent in your mill-net yield, don't you, that you don't get from the rail purchaser?

Mr. FAIRLESS. No, we don't get it in our mill-net yield because to the extent that higher costs are involved it is absorbed to that extent. That is the constant consideration.

Mr. WOODEN. Outside of that factor of costs in the loading for truck delivery. Less your cost of loading for truck delivery that 35 percent goes as an increment to your base price, doesn't it?

Mr. FAIRLESS. Do you want me to say yes? I'll say yes.

Mr. WOODEN. Do you have available here price announcements, I think, of the Carnegie-Illinois Co. in the early summer of 1936 regarding the terms on which products sold for identified structures and fabricated-in-transit may be sold? Will you produce them?

Mr. FAIRLESS. I believe that is one of the exhibits the Federal Trade Commission asked for and was sent to you.

Mr. WOODEN. Well, I would like to use it here. I will ask you to produce a copy.

Acting Chairman KING. Haven't you a copy?

Mr. WOODEN. I have an excerpt from it. I don't have the original.

Acting Chairman KING. Do you desire to put the excerpt in the record? I assume there is no dispute as to the text. Put the excerpt in subject to correction when you get the original copy, if that is agreeable.

Mr. WOODEN. I will pass on.

I submit this document for the record.

Acting Chairman KING. It may be received.

(The document referred to was marked "Exhibit No. 2208" and is included in the appendix on pp. 14437-14441.)

Mr. WOODEN. Mr. Fairless, I am showing you a document marked for identification Exhibit No. 2208. Do you recognize it and accept it as a copy of the resolution adopted by the Board of Directors with regard to the use of Freight Tariff No. 1 and known as Regulation No. 4 of the code?

(Mr. O'Connell assumed the Chair.)

Mr. FAIRLESS. Yes, I accept all these code resolutions on the basis that I have outlined.

Acting Chairman O'CONNELL. If you have any more of those you may just identify them as resolutions of the code and they may be identified by Mr. Fairless subject to check if there are errors in them.

FREIGHT RATE COMPILATIONS BY THE IRON AND STEEL INSTITUTE

Mr. WOODEN. All right. The Institute has continued to keep up to date, has it not, the freight tariffs which were compiled pursuant to and referred to in this resolution that I have just called your attention to?

Mr. FAIRLESS. Well, not pursuant to that resolution. They do keep up as I have already testified, this so-called freight book.

Mr. WOODEN. It does continue to put out freight rates, freight-rate compilations, showing all-rail freights from various basing points to destinations, and not only all-rail rates but rail and water rates to certain portions of the country?

Mr. FAIRLESS. To the best of my knowledge it is an up-to-date pamphlet, or kept up to date as near as it is reasonably possible to do so, of all transportation charges and changes, all on the basis of actual, factual information.

Mr. WOODEN. Is that the work of the traffic committee of the Institute?

Mr. FAIRLESS. I so testified Saturday morning.

Mr. WOODEN. Mr. Adams, you said that the Institute freight books include freight from points that are not basing points for particular products. Are you sure of that?

Mr. ADAMS. That was my recollection, Mr. Wooden. I can't say, I am not positive.

Mr. WOODEN. You are not real sure?

Mr. ADAMS. No.

Mr. WOODEN. As a matter of fact, don't the Institute compilations show the rates only from basing points on particular products?

Mr. ADAMS. I said I am not quite sure of that point. I know that the freight rate book does show the freight rates from basing points to innumerable destinations.

Mr. WOODEN. Why did you testify the other day so readily and volunteer that it includes freight rates from nonbasing points?

Mr. ADAMS. That was my opinion, Mr. Wooden.

Mr. WOODEN. Do you want to stand on it now?

Mr. ADAMS. I will say I don't know definitely regarding that one point.

Mr. WOODEN. Don't you know as a matter of fact that the Institute freight books show freight rates only from basing points?

Mr. ADAMS. No, I don't know that definitely either. The Institute freight rate book is the record, as we have testified, of the freight rates which are public property and obtained from railroads. We don't always use that freight rate book because you might say that is not up to date, it takes time to get the rates back from the Institute.

Mr. WOODEN. As a matter of fact, are there not a lot of producing points that are not shown in the Institute freight books?

Mr. ADAMS. Well, again you are asking me a question, Mr. Wooden, that I thought I answered. I can't say specifically just how many basing points are shown in the freight rate book.

Mr. FAIRLESS. Obviously Mr. Adams and myself wouldn't be as familiar with the details of that book as our traffic people.

Acting Chairman O'CONNELL. You were trying to develop from Mr. Adams if he knew whether the freight book as compiled included freight from points other than basing points and apparently neither of you people are in position to say dogmatically whether that is so or not.

Mr. ADAMS. I don't think we as individuals ever refer to the freight rate book because our traffic department always supplies us with that information as to a specific rate on a specific transaction.

Acting Chairman O'CONNELL. I think the question is one you might very well have known the answer to inasmuch as it is a compilation by the Institute, you are familiar with the operations of the Institute generally, and I think the question is one you might have known the answer to, but proceed, Mr. Wooden.

Mr. FAIRLESS. Mr. Chairman, I don't imagine that I have seen the freight book more than two or three times in its existence. I don't use it.

Acting Chairman O'CONNELL. But the general question as to what would be included in the rate book might very well come to your attention as a member of the Institute, I take it.

Mr. FAIRLESS. Not necessarily. When the book came into being I was not a director of the Institute. Our traffic department would be able to answer any question pertaining to it.

Mr. WOODEN. I submit these tables for the record.

Acting Chairman O'CONNELL. They may be admitted.

(The data referred to were marked "Exhibit No. 2209" and are included in the appendix on pp. 14442-14443.)

Mr. WOODEN. Mr. Adams, will you look at the sheets marked "Exhibit 2209" and which are sample sheets or some sheets taken from the freight rate book of the Institute? Do you recognize them as being in the form and substance of what the Institute puts out?

Mr. ADAMS. I think that is correct, Mr. Wooden.

Mr. WOODEN. Will you look at those sheets and tell us whether there are not a number of producing points in the shipping area of the destinations shown there that are not shown as the place from which the rates are calculated?

Mr. ADAMS. Well, in glancing quickly through this list of towns it is apparent that most of them are producing points and basing points.

Mr. WOODEN. I beg your pardon?

Mr. ADAMS. In glancing quickly through this list of towns I would say that most of them are basing points and producing points, Mr. Wooden. That is the list across the top of this page citing Chicago, Gary, Cleveland, Detroit, Lorain.

Mr. WOODEN. Are there not a number of shipping points in the shipping area, so to speak, of Connecticut, to which these sheets relate that are not shown on those sheets, a number of places of production and shipment?

Mr. ADAMS. Do you mean a number of points where steel is not produced?

Mr. WOODEN. Where it is produced and yet not shown on those sheets.

Mr. ADAMS. Well, I don't know that I can answer that question specifically because I couldn't tell you just how many locations there are in Connecticut where various grades of products—

Mr. WOODEN (interposing). I am not speaking about shipments in Connecticut but to Connecticut which those sheets give the rates for. I am talking about places of production between Chicago and running eastward that are not shown on those sheets and yet which produce steel for shipment into Connecticut.

Mr. ADAMS. Yes, there would be some such cases.

Mr. WOODEN. There are quite a number of them in fact, are there not?

Mr. ADAMS. I don't know honestly how many there are.

Mr. WOODEN. You know the location of plants and the physical set-up and distribution of the steel plants in the country, don't you?

Mr. ADAMS. Yes; generally speaking.

Mr. WOODEN. Then tell us some plants between Chicago and the east that are not shown as shipping points on those sheets.

Mr. ADAMS. Well, speaking for the Steel Corporation I don't see Allentown listed there. That is a plant where we produce plain wire. It is not a basing point plant.

Mr. WOODEN. It bases on Pittsburgh, doesn't it?

Mr. ADAMS. The nearest basing point on plain wire for shipment to certain points in the metropolitan area is—

Mr. WOODEN (interposing). It bases on Pittsburgh?

Mr. ADAMS. The nearest basing point is Pittsburgh there. Now let me explain that, please, Mr. Wooden. That plant is a small plant, it manufactures plain wire only. The Form B returns for February showed that that plant produced roughly 700 tons, only 700 tons during the month of February 1939.

Mr. WOODEN. Doesn't it produce nails also?

Mr. ADAMS. I have it listed here as wire products only. Of that 700 tons, 650 tons were shipped abroad for export, 54 tons went into the metropolitan area. That is not a basing point mill.

Mr. WOODEN. I want to know some of the competitive mills east of Chicago that ship into Connecticut and whose locations are not shown as shipping points on these Institute freight sheets.

Mr. ADAMS. Have you any in mind, Mr. Wooden?

Mr. WOODEN. You know the industry. You have only about 12 or 15 shipping points there; there are many more places of production east of Chicago for shipment into Connecticut, are there not?

Mr. ADAMS. Yes.

Mr. WOODEN. Can't you give us the names of some of them and the location of their plants?

Mr. ADAMS. Well, you might say Niles, Ohio, Niles Rolling Mills. I don't see Niles listed here. That is a point of production, Niles Rolling Mill Co. manufacturing sheets.

Mr. WOODEN. How about Middletown? Is that there?

Mr. ADAMS. That is a basing point. I don't see it listed here.

Mr. WOODEN. For some products?

Mr. ADAMS. On sheets.

Mr. WOODEN. What about Indianapolis? Is Indianapolis on there? Indianapolis is a producing point, isn't it?

Mr. ADAMS. Not a producing point for any of our mills.

Mr. WOODEN. Isn't it a producing point for Continental Steel Corporation?

Mr. ADAMS. Yes.

Mr. WOODEN. The Continental Steel Corporation couldn't use that sheet for getting the freight rate from its own plant at Kokomo. Could it? Of course, it also has an Indianapolis plant.

Mr. ADAMS. No; it couldn't use this sheet for that purpose.

Mr. WOODEN. It couldn't use that sheet for any purpose except to figure the delivered price according to the basing points that are shown on that sheet, could it?

Mr. ADAMS. Well, it could use this sheet to ascertain the published tariff from one point to a destination.

Mr. WOODEN. From points at which it has no shipments to make.

Mr. ADAMS. That is correct. Of course, we have testified that we don't use the freight book exclusively ourselves.

Acting Chairman O'CONNELL. Are there freight rates shown for other than basing points in that freight-rate book, assuming that the industry uses the basing-point system?

Mr. FAIRLESS. Not for the general use of the steel industry. Of course, there isn't any mystery about the actual freight rates from any producing point. It is available, I would imagine; I know it is in our traffic departments, various traffic departments; I assume it is in the offices of other companies.

Acting Chairman O'CONNELL. But this book to be useful in connection with a basing-point system would need no rates other than rates for basing points?

Mr. FAIRLESS. It is an instrument that is very useful in our present method of merchandising steel products. Now it is particularly useful to smaller companies, as I testified before.

Mr. WOODEN. Providing they want to quote on the basis of basing point plus freight. We just had some cases here where the shipping points of some companies were not included and could serve no other purpose.

Acting Chairman O'CONNELL. You were trying to develop whether or not there were freight rates for points other than basing points and if, as I understand it, this freight-rate book is intended to implement the basing-point system for prices it seemed to me reasonable to conclude that there were no freight rates shown in the book other than freight rates from basing points.

Mr. WOODEN. I wouldn't want to say necessarily that there is nothing but basing-point places of shipment shown. That is pos-

sibly too wide and sweeping an assertion, but there are many places of production and shipment that are not shown.

Mr. Chairman, I would like to read for the record at this time a portion of the testimony of W. A. Irvin, president of the United States Steel Corporation, in 1936, from his testimony before the Senate Committee on Interstate Commerce, page 596 of the printed record of those hearings on Senate Bill 4055. This question was asked:

The CHAIRMAN. Do not representatives of your companies participate in meetings with other steel companies at which market conditions and prices are discussed?

Mr. IRVIN. We talk of market conditions. That is one of the functions of the Institute when we get together. We talk of market conditions, what the possibilities are, and the prices in various localities, foreign competition, how much is coming in at this port or that port, and at what price it is coming in; at which price foreign materials are being sold at the various seaports, and anything that would naturally arise in connection with the steel industry, and other industries as well.

I also would like to read from a portion of his testimony on the same occasion from page 595 of that same document; being questioned as to how the base prices were determined:

Mr. IRVIN. I would say we generally make the prices.

The CHAIRMAN. You generally make the prices?

Mr. IRVIN. Yes, sir. We generally make the prices, unless some of the other members of the industry think that that price may be too high, and they make the price.

The CHAIRMAN. You lead off, then, with a price charged, either up or down, at Gary. Is that correct?

Mr. IRVIN. Yes.

The CHAIRMAN. I notice the price on March 19 at Chicago for soft steel bars was \$1.90, while at Pittsburgh the price was \$1.85.

Mr. IRVIN. Yes.

The CHAIRMAN. When the Iron Age printed that announcement, did they ask Bethlehem or did they ask you, or from what company did they receive that information?

Mr. IRVIN. I do not think I can answer that.

The CHAIRMAN. At any rate, you were the one that fixed it?

Mr. IRVIN. We fixed our own price at \$1.90 and \$1.85; we always notify the trade papers; I think our commercial people always notify the trade papers and others interested as to what our prices are.

The CHAIRMAN. Then the rest of them follow that?

Mr. IRVIN. I think they do. That is, I say they do generally. They may quote the same prices, but maybe they need some business and make a better price. We do not always know that until it is over.

The CHAIRMAN. Those are the exceptions, are they not?

Mr. IRVIN. Yes.

The CHAIRMAN. Those are looked upon as the price-cutters in the industry?

Mr. IRVIN. Yes; and we have them with us always.

The CHAIRMAN. They represent a comparatively small percentage, do they not?

Mr. IRVIN. It depends, Senator, on business conditions. I would say that when we are going at 30 or 40 per cent, we have more of them with us than when we are going at 60 or 70 per cent.

And also from page 607 of that same document.

Acting Chairman O'CONNELL. Do you intend to examine Mr. Fairless about this?

Mr. WOODEN. No; I am putting it in at this time, Mr. Chairman, because of Mr. Fairless' testimony that representatives of his company and subsidiaries did not discuss prices with competitors.

Acting Chairman O'CONNELL. When was that testimony given?

Mr. WOODEN. Saturday morning, I believe.

Acting Chairman O'CONNELL. I mean that which you are reading.

Mr. WOODEN. 1936.

Acting CHAIRMAN O'CONNELL. What was your position at that time, Mr. Fairless?

Mr. WOODEN. He wasn't with the Corporation.

Mr. FAIRLESS. In 1936? Oh yes; I was with the Corporation.

Mr. WOODEN. What was your position?

Mr. FAIRLESS. In respect to what?

Mr. WOODEN. In the company, your official position.

Mr. FAIRLESS. President of Carnegie-Illinois Steel Corporation.

Mr. WOODEN. That is the most important subsidiary of the United States Steel Corporation, isn't it?

Mr. FAIRLESS. Yes; it is the largest.

Mr. WOODEN. The testimony of Mr. Irvin was given in March or April 1936.

Mr. FAIRLESS. Are you asking me a question? I haven't the question.

Acting Chairman O'CONNELL. I don't believe he has asked a question.

Mr. WOODEN. On page 607 of that same document, Mr. Irvin testified with regard to concessions:

I think by and large that a very large percentage of the steel or other commodities that are sold in that way are sold on a fair price basis to most of the users. The customers who are apt to get concessions are those having larger orders to place, and the ones who utilize steel in their own production.

On page 592 of the same document:

The CHAIRMAN. You spoke of these prices. Let me ask you this: If they followed the system or the method of using the base price plus the all-rail freight, then they would all sell at the same, price, would they not?

Mr. IRVIN. If everyone would use that, without deviation, it would be the same. They would all be the same.

The CHAIRMAN. When they do not use that system, and there is a lowering, the man that does it is looked upon as a price cutter, is he not?

Mr. IRVIN. Yes, sir.

Mr. WOODEN. Will one of you gentlemen representing the Corporation here identify these documents?

Mr. FAIRLESS. We identify them.

Mr. WOODEN. As being the tabulations underlying the statement made in "Exhibit No. 1418" regarding the result of an examination of records on bids to the Federal Government?

Mr. FAIRLESS. That is correct.

Mr. WOODEN. Mr. Chairman, I offer for the record these two volumes of tabulations on Government Tonnage Records, just identified by the witness.

Acting Chairman O'CONNELL. They may be admitted.

Mr. WOODEN. Mr. Chairman, it will be necessary through another witness to go into these documents, but I don't know that it is necessary while the present witnesses are here. We have analyzed the showing made in those exhibits and we propose to show that the statement made in "Exhibit No. 1418" is quite wide of the facts, based upon their own underlying data which they have produced.

Acting Chairman O'CONNELL. I don't think it is necessary to make any comment on that at this time. You intend to produce a witness later who will analyze the material underlying this material?

Mr. WOODEN. That is right.

Acting Chairman O'CONNELL. I am a little at a loss.

Mr. WOODEN. The statement in "Exhibit No. 1418," to which I refer, reads:

Identical quotations probably occur more frequently in sealed bids to governmental bodies than in private sales of steel products. There are two reasons for this: (1) The sealed bid practice required by statute prevents public agencies from bargaining individually with producers as is usually done by private buyers; (2) Sealed bids are eventually published and although a producer may be willing to quote a lower price on a private sale he is reluctant to do so when he knows that such lower price will soon be published and possibly may have to be made applicable to every similar ton of steel sold by him in the future. Nevertheless, in spite of this tendency, identical bids on governmental contracts are by no means the general rule. An examination of records covering Federal Government awards for steel products made at Washington, D. C., during 1938 and the first quarter of 1939, indicates that such awards aggregated approximately \$10,500,000, of which about 80 per cent in value went to the lowest bidder and only about 16.5 per cent in value by lot on account of identical bids. The balance of 3.5 per cent was awarded on a basis other than of price.

Acting Chairman O'CONNELL. As I understand, it is your desire to have this testimony that you have just referred to at a later time so that we may complete our examination of Mr. Fairless as soon as possible?

Mr. WOODEN. Yes; that is right. I want to get through.

Mr. FAIRLESS. This is our record and we let it stand.

Acting Chairman O'CONNELL. These are the documents just identified which are the underlying data also from your records, are they not?

Mr. FAIRLESS. We identified these records.

Acting Chairman O'CONNELL. As I understand it, Mr. Wooden is going to have another witness make an analysis of that data.

Mr. FAIRLESS. These were prepared by us and submitted to Judge Wooden at his request.

Mr. WOODEN. The Corporation takes the position, does it not, Mr. Fairless, in "Exhibit No. 1418," that the basing-point system was a natural result of basic economic conditions and that it evolved over a long period of time to meet the peculiar characteristics of the industry?

Mr. FAIRLESS. I don't recall just the exact wording but I assume that you are quoting from the pamphlet.

Mr. WOODEN. In substance, yes. I refer to the foreword of "Exhibit No. 1418" and page 26 of "Exhibit No. 1410."¹ I believe you said the other day that as far as you were concerned you didn't know how the system originated. Is that correct?

Mr. FAIRLESS. Yes, or when. I understand it has been in effect about 50 years.

Mr. WOODEN. Do you agree that the same principle in effect, or the basing-point system in principle has been in effect that length of time?

Mr. FAIRLESS. It is a simple statement that the basing-point system or rather the multiple-basing-point system is in effect, it began and grew with the industry, it developed with the industry, I believe.

Mr. WOODEN. Have you gone into the history of it? Have you made any study of the history of it?

Mr. FAIRLESS. With respect to what?

Mr. WOODEN. As to how the basing-point system originated?

Mr. FAIRLESS. Well, I have read a lot about the basing point, naturally.

Mr. WOODEN. Did you ever read the testimony in the Pittsburgh Plus Case before the Federal Trade Commission?

¹ Both exhibits are included in Hearings, Part 26.

Mr. FAIRLESS. Not in its complete form.

Mr. WOODEN. In what form did you read it?

Mr. FAIRLESS. I don't know. If you want to discuss the Pittsburgh Plus Case—I am not a lawyer, it seems to me we are getting on legal grounds when you start discussing the Pittsburgh Plus Case.

Mr. WOODEN. No; I merely want to know whether the Corporation in making the statements that it did about the natural economic origin of the basing point system took into account the evidence in the Pittsburgh Plus Case or the findings of fact made by the Federal Trade Commission in that case.

Mr. FAIRLESS. Here is a footnote on page 15, section B, entitled "Historical Material." The footnote reads—

Mr. WOODEN. My question was not that.

Mr. FAIRLESS. I believe it is.

Material in this section was largely drawn from the Trial Examiner's report on the facts in the Pittsburgh Plus Case before the Federal Trade Commission of 1924.

Mr. WOODEN. Did you take into account the findings of fact of the Federal Trade Commission itself as distinguished from the trial examiner's findings?

Mr. FAIRLESS. Judge Wooden, I did not prepare this pamphlet. As I explained to you, in your original question, the man who was largely responsible for its preparation is not here. I couldn't undertake to discuss intelligently before this committee every statement made in this pamphlet.

Mr. BALLINGER. Well, before the pamphlet was published you undoubtedly went over it with the expert who prepared it and he rather convinced you that it was all right, didn't he; that is, he showed you all of his evidence in making those statements.

Mr. FAIRLESS. I went over it not with the man himself but with Mr. Olds and other members of our special group. This is fully documented here.

Mr. WOODEN. Did it come to your attention that the Federal Trade Commission found in its findings of fact in the Pittsburgh Plus Case that the system originated in an early form among the beam producers away back about 1880 and that it was for the purpose of fixing identical delivered prices?

Mr. FAIRLESS. No, sir.

Mr. WOODEN. Was it brought to your attention that the findings of fact of the Commission were to the effect that until after 1900 the basing-point system was not in effect except sporadically and on a very limited number of products?

Mr. FAIRLESS. I can't discuss that.

Mr. WOODEN. Well, the Corporation says this is a natural economic evolution. I am directing your attention and asking you if you have considered some of these other things that don't quite square with that contention.

Mr. FAIRLESS. Well, to make our position perfectly clear, we have submitted for the record this pamphlet having to do with this important subject and that is our testimony. This particular Pittsburgh Plus Case you refer to I understand is under appeal at the moment; in other words, it is in the courts, so I am not a lawyer and I couldn't go into the legal phases.

Mr. WOODEN. I am merely discussing matters of fact. Isn't it a fact that until the N. R. A. code put it into effect that there was no basing-point system on pig iron?

Mr. FAIRLESS. Pig iron, Judge, has in my experience——

Mr. WOODEN (interposing). Can't you answer my question?

Mr. FAIRLESS. I am going to answer it, but some of these questions can't be answered by "yes" or "no."

Mr. WOODEN. That can.

Mr. FAIRLESS. By me it can't, so I have to answer the question as I know it and understand it. It has been my experience in the steel industry that generally speaking pig iron has been sold f. o. b. producing furnace, generally speaking.

Mr. WOODEN. Until when?

Mr. FAIRLESS. I said generally speaking, that is forever as far as I am concerned.

Mr. WOODEN. Isn't it a fact that pig iron was put under the basing-point system at the time the N. R. A. code went into effect?

Mr. FAIRLESS. Well, the merchandising of pig iron was put under the Steel Code it was a product under the Steel Code.

Mr. WOODEN. Weren't the various producing points for pig iron specified as basing points under the code?

Mr. FAIRLESS. They were for iron and steel.

Mr. WOODEN. And prior to that time pig iron had been priced and sold f. o. b. furnace, hadn't it?

Mr. FAIRLESS. Not entirely, but generally speaking; not entirely. I bought a lot of pig iron that wasn't purchased on the basis of the producing furnace, but rather the producing area.

Mr. WOODEN. You have a basing point on pig iron at Provo, you say?

Mr. FAIRLESS. Do we have?

Mr. WOODEN. Yes.

Mr. FAIRLESS. I believe we have. We sell very little iron, as you know.

Mr. WOODEN. But you do sell some?

Mr. FAIRLESS. We sell some. We consume most of our iron.

Mr. WOODEN. You sell some from Provo?

Mr. FAIRLESS. Some; a small percentage of the production.

Mr. WOODEN. And some other points from which you sell pig iron?

Mr. FAIRLESS. We sell pig iron in Cleveland, Pittsburgh, and Birmingham.

Mr. WOODEN. I thought you testified Saturday that you did not sell any pig iron.

Mr. FAIRLESS. I don't think I gave any such testimony.

Mr. WOODEN. All right, the record will show.

Acting Chairman O'CONNELL. He did not testify to that? Did he?

Mr. WOODEN. It was my understanding.

Acting Chairman O'CONNELL. My recollection was——

Mr. WOODEN. I asked about pig iron differential and he said, "I can't tell because we don't sell it."

Mr. FAIRLESS. I said the reason I could not answer your question was because any pig iron we sold in the South was from our Southern production, and in the North from our Northern production; there-

fore, if there was a differential for Southern iron delivery in the North it didn't register with me; that was my testimony.

Mr. WOODEN. The record will show.

COMPARISON OF PACIFIC COAST AND BIRMINGHAM PRICES

Mr. WOODEN. Is it not a fact that the price of bars on the Pacific coast at the Pacific coast ports is equivalent to the Birmingham base price on bars, plus the freight out there?

Mr. ADAMS. I cannot say exactly; I don't think it is.

Mr. WOODEN. I said the freight; I did not say all-rail freight, but I said the freight from Birmingham by water.

Mr. FAIRLESS. Yes; by water. It is an arbitrary delivered price on the Pacific coast ports; whether it represents the all-water, published rate from Birmingham or not, I cannot answer.

Mr. ADAMS. Here appears the actual freight.

Acting Chairman O'CONNELL. Did not we have testimony about that in November? My recollection was that the freight on these items delivered on the West coast was in amount the Birmingham price plus the amount which was slightly less than that.

Mr. WOODEN. On different products. In some cases it was less and others it was slightly more.

Acting Chairman O'CONNELL. But it varied from the Birmingham price; that is in the record.

Mr. ADAMS. Here are the actual figures. The rail and ocean rate from Birmingham to San Francisco is 69 cents per hundred pounds. Our San Francisco basing point price is 50 cents higher than our announced published Birmingham price.

Mr. WOODEN. Fifty cents higher?

Mr. ADAMS. Yes, sir. So the actual rail and ocean rate from Birmingham is 19 cents per hundred pounds higher than the rate or the transportation cost that we use in arriving at our delivered prices on the Pacific coast.

Mr. WOODEN. Is not the Pacific port price on bars based on Birmingham, plus, rather than on Pittsburgh?

Mr. ADAMS. It is not based on either, from that standpoint. We announce a price on the Pacific coast covering several ports. It has, you might say, a relationship to our Birmingham prices or Pittsburgh prices, but it is a relationship which I define here insofar as Birmingham is concerned as being 19 cents lower than the actual rail and ocean rate from Birmingham to the Pacific coast.

Now we have done that, of course, because of foreign competition. We have the same problem at the Gulf coast ports.

Mr. WOODEN. You add a considerable amount of freight, do you not, from Birmingham in order to arrive at your Pacific coast port base price?

Mr. ADAMS. No, sir; I don't think I can say that, because we announce delivered prices at certain points on the Pacific coast and delivered prices at certain points on the Gulf coast. Now the prices that we announce are less than the base prices plus the actual transportation costs, and the reason they are less is because of this foreign competition.

Mr. WOODEN. Are they not built up with reference to the eastern base prices, plus transportation?

Mr. ADAMS. I have just cited an example, Judge Wooden, and I don't know how you can say that you arrive at 50 cents as a transportation cost when it is actually part of a published base price and the actual transportation cost is 69 cents.

Mr. WOODEN. On some products it is more than the actual transportation cost from the East, is it not?

Mr. ADAMS. I don't know of any. If that is so I would like to know about it.

Mr. FAIRLESS. It could not be, Judge.

Mr. WOODEN. Well, you produce bars on the Pacific coast, do you not?

Mr. FAIRLESS. Yes, sir.

Mr. WOODEN. And you have in your Pacific coast base price an element that is pretty close to the freight or transportation cost from the eastern producing points, do you not?

Mr. FAIRLESS. It is less than the actual transportation cost, Judge Wooden, but our assembly costs of course, on the West coast, that is the actual transportation cost involved in assembling our raw materials on the West coast, is higher than it is on the East coast, and of course the demand on the West coast is less than it is in the East.

So you can't develop economies from the standpoint of having a large, completely integrated plant on the West coast, and when I say integrated I mean a plant which would produce all of the products that are produced in some of the large integrated plants in the eastern part of the country.

Mr. WOODEN. Did there come to your attention in connection with your statement that the basing point system evolved out of the natural economic conditions—did there come to your attention the findings of the Federal Trade Commission to the effect that the basing point system was not applied to the sale of tin plate until 1903?

Mr. FAIRLESS. I am not familiar with it.

Mr. WOODEN. That did not come to your attention? Did it come to your attention—

Mr. FAIRLESS (interposing). I would imagine there were very few producers of tin plate in the United States in 1903.

Mr. WOODEN. Did it come to your attention that prior to 1903 the corporation subsidiaries sold tin plate f. o. b. mill and not on a basing point system?

Mr. FAIRLESS. The corporation was formed in 1901, so you are speaking about a 2-year period there that I am not familiar with.

Mr. WOODEN. Did it come to your attention that the Commission's findings of fact showed that the Pittsburgh plus system was adopted in 1900 by the National Tube Co. and that its competitors also adopted it about that time?

Mr. FAIRLESS. I am not familiar with that historic review.

Mr. WOODEN. Did it come to your attention that the Commission found that plate and structural shape producers met and agreed upon the Pittsburgh plus system in September 1903 and 1904; that the large wire producers, including one of your corporation subsidiaries, agreed on the Pittsburgh plus system as a method of maintaining uniform prices?

Mr. FAIRLESS. One answer, I think, would cover all of these questions. I am not familiar with this particular historical review that you are giving.

Mr. WOODEN. As a matter of fact, so far as you are concerned, you don't know whether the basing point system originated as a natural result of economic conditions or just how it originated, do you?

Mr. FAIRLESS. I am very confident that its development was due to the economic development of the United States.

Acting Chairman O'CONNELL. We will recess now until 2 o'clock. (Whereupon at 12:35 o'clock the committee recessed until 2 p. m.)

AFTERNOON SESSION

The hearing was resumed at 2:20 p. m. upon expiration of the recess.

Acting Chairman O'CONNELL. The committee will be in order. All right, Mr. Wooden.

TESTIMONY OF BENJAMIN F. FAIRLESS, PRESIDENT, UNITED STATES STEEL CORPORATION, NEW YORK CITY, AND AVERY C. ADAMS, VICE PRESIDENT, UNITED STATES STEEL CORPORATION OF DELAWARE, PITTSBURGH—Resumed

Mr. WOODEN. I was asking this morning for a copy of the Carnegie-Illinois Steel Corporation price announcement of June 4, 1936, covering concrete reinforcing bars, and I believe it was suggested that if the excerpt which I have here were presented, it might be received and conceded to be an authentic statement of a price announcement of that corporation.

Acting Chairman O'CONNELL. I think it can be received on that basis.

Mr. OLDS.¹ I will be glad to send Mr. Wooden one tomorrow when I get back to New York.

Acting Chairman O'CONNELL. Let's introduce the excerpt now, and if it is inaccurate we can correct it. I assume it is accurate.²

Mr. WOODEN. I have a copy of the excerpt.

Do you recognize that statement as one that appeared in your price announcement of Carnegie-Illinois?

Mr. ADAMS. I don't recognize it; no.

Mr. FAIRLESS. I don't recognize it as such, but I am willing to assume that it was a part of the announcement.

Acting Chairman O'CONNELL. Is it satisfactory to you that we proceed on that assumption, and we will have a complete copy of the price announcement put in the record tomorrow? I don't know what line of questions Mr. Wooden means to pursue.

Mr. OLDS. I don't know whether I can get it here tomorrow. I will mail it tomorrow when I get back to New York.

Mr. FAIRLESS. On that assumption, I am willing to proceed.

Mr. WOODEN. Now this relates to the method of making delivered prices on products sold for fabrication for an identified structure, does it not, Mr. Fairless?

Mr. FAIRLESS. Apparently; yes.

Mr. WOODEN. And provides that the place of delivery shall be considered to be the railroad station nearest to the place where the structure is to be assembled or erected; that is correct, isn't it?

Mr. FAIRLESS. It so states.

¹ Irving S. Olds, counsel, U. S. Steel Corporation.

² Admitted infra, p. 14259, as "Exhibit No. 2212"; included in the appendix on p. 14506.

Mr. WOODEN. The alternative to that would be to make the price effective at the point of fabrication, not at the point of the erection of the structure, or to make the price f. o. b. mill?

Mr. FAIRLESS. The reason for the announcement is that many times these structures are not located on any railroad siding, and also that the fabrication takes place at that point. I really have to explain what is involved.

Mr. WOODEN. Can't you answer my question before you proceed to give the reasons for the practice?

Mr. FAIRLESS. I can't answer just as you put it; there may be other alternatives; you have named two possible alternatives; there might be others.

Mr. WOODEN. Can you name any others?

Mr. FAIRLESS. Offhand, no; I cannot.

Mr. WOODEN. This practice originated under the N. R. A. Code, did it not?

Mr. FAIRLESS. I can't answer that specifically. In our method of selling our products, which is at a delivered price, we have to have some basis for calculating that delivered price, and we are simply stating our method in respect to concrete bars for fabrication.

Mr. WOODEN. What was it before the code? What was the practice in quoting delivered prices for use in identified structures?

Mr. FAIRLESS. In the United States Steel Corporation?

Mr. WOODEN. As you knew it in the industry.

Mr. FAIRLESS. Well, prior to—of course I was not with U. S. Steel Corporation prior to the code, or during the code. I believe that generally speaking the company that I was with, Republic Steel Corporation, while we were not large factors at that time in concrete bars, I believe as I recall our policy that it was to the best of our ability to quote delivered prices.

Mr. WOODEN. But what was its policy with regard to quoting delivered prices for products sold for fabrication in an identified structure? Was it the place of the erection or the place of the fabrication?

Mr. FAIRLESS. Well, the Republic Steel Corporation was not a factor in the so-called identified structures business because it was not engaged in fabricated structural business. That company sold its concrete bars largely through jobbers.

Mr. WOODEN. Well, you were chairman of the committee on commercial matters that formulated many of these resolutions during the code period, were you not?

Mr. FAIRLESS. I have so testified.

Mr. WOODEN. And can't you tell us then whether or not, or what the practice was prior to the code with reference to quoting prices on an identified structure?

Mr. FAIRLESS. No, I cannot. I would say that there was no single method.

Mr. WOODEN. Some companies did one way and some another?

Mr. FAIRLESS. That would be my judgment; yes, sir.

Mr. WOODEN. And this proviso to which we are referring in exhibit 2212 standardized that practice, did it not?

Mr. FAIRLESS. Under the code?

Mr. WOODEN. Yes.

Mr. FAIRLESS. Yes, sir.

Mr. WOODEN. Now here in 1936 Carnegie-Illinois was still carrying on that method of quoting prices on products sold for fabrication for an identified structure; that is correct, is it not?

Mr. FAIRLESS. It so states there.

Mr. WOODEN. Don't you know that is correct, of your own knowledge?

Mr. FAIRLESS. In 1936?

Mr. WOODEN. Yes.

Mr. FAIRLESS. Well, it may or may not be; I don't believe it was true in all cases.

Mr. WOODEN. What about it, Mr. Adams? What do you know about it?

Mr. ADAMS. I don't know that it was true in all cases. I presume it was done in certain cases. I know the practice today is to quote on the basis of the delivered price at the point of fabrication.

Mr. WOODEN. How long has that been the practice?

Mr. ADAMS. I can't answer that as to the exact date.

Mr. WOODEN. Can't you tell us approximately?

Mr. ADAMS. No, I can't tell you approximately.

Mr. WOODEN. Has it been 6 months or how long? A year or what?

Mr. ADAMS. You are asking me to guess now and I don't want to make a guess because I don't know the exact date of the change in that practice.

Mr. WOODEN. Well, will you ascertain the date and report?

Mr. ADAMS. Certainly.

Mr. WOODEN. I don't believe, Mr. Chairman, that I offered this exhibit. I will do so now.

Acting Chairman O'CONNELL. It will be admitted.

(The excerpt from the price announcement referred to was marked "Exhibit No. 2212" and is included in the appendix on p. 14506.)

Acting Chairman O'CONNELL. Let me see if I understand this. As I understand it, in 1936 the practice was adopted or continued by your company of quoting delivered prices on steel for identified structures on a basis of the location of the structure itself, but at the present time you quote on that type of material f. o. b. point of fabrication?

Mr. ADAMS. Delivered price at the point of fabrication, yes, sir.

Acting Chairman O'CONNELL. But you don't know when after 1936 the practice was changed?

Mr. ADAMS. No, sir, and I don't know because I was manager of sales in the sheet division and we didn't have that problem in the sheet end of our business at that time.

Mr. FAIRLESS. We will develop the definite date.

Mr. WOODEN. Can you tell us what the practice is with regard to Detroit delivery for hot rolled strip, as to how the basing point value is determined?

PRICES IN THE DETROIT AREA

Mr. ADAMS. There is a company located in Detroit, Great Lakes Steel Corporation, which is part of National Steel, and they publish a price at Detroit which at the present time happens to be \$2 a ton above our published price at our points of production, where we make strip, which are at Pittsburgh and Gary.

Mr. WOODEN. Isn't the basing point value for Detroit delivery on hot rolled strip determined by deducting 20 cents a hundred pounds, which is \$2 a ton from the delivered price?

Mr. FAIRLESS. Twenty cents a hundred pounds is \$4 a ton.

Mr. ADAMS. To get at that particular question, the actual freight rate from Pittsburgh to Detroit is 29 cents. From Gary to Detroit is 28 cents, and the price of Great Lakes, published, is 10 cents higher than our Pittsburgh and Gary prices, so if we were making that shipment, making a shipment into the Detroit area from our Gary mill, we would have to reduce our delivered price to an extent equal to that published in Detroit, which in that case would be \$3.60 a ton.

Mr. WOODEN. You mean you would have to do that in order to make your Detroit delivered price the same as the Great Lakes?

Mr. ADAMS. We would have to reduce our price at least to that extent if we were seriously interested in securing business in the Detroit area. It doesn't follow that that delivered price has not been reduced further in a great many cases.

Mr. WOODEN. But in doing that you would be seeking to make your delivered price the same as the delivered price at Detroit of the Great Lakes company?

Mr. ADAMS. No; that would not be our primary objective. Our primary objective would be to—

Mr. WOODEN (interposing). That would do it, wouldn't it?

Mr. ADAMS. Would be to get the business. If we reduced it just to that extent our prices would be equal to those of Great Lakes?

Mr. WOODEN. That is what you do, isn't it?

Mr. ADAMS. We do that and we do other things, Judge Wooden; as you know, we have already submitted for the record figures showing that our average realized prices are at a level below our published base prices.

Mr. WOODEN. But your average realized prices have no relation to the delivered prices, that is are not the same as your delivered prices at all, are they?

Mr. ADAMS. No, sir; because we have transportation cost involved.

Mr. WOODEN. You get a different transportation cost from each delivered price, do you not, each destination?

Mr. ADAMS. Yes—

Mr. WOODEN. So you get a varying mill-net depending on the destination to which you quote and ship.

Mr. ADAMS. Our delivered prices include, of course, our transportation costs. We have to change our delivered prices to various levels in order to maintain our position from the standpoint of competition.

Mr. WOODEN. You mean by that, do you not, making your delivered price the same as the delivered price of your competitors?

Mr. ADAMS. No; I don't mean that, Judge Wooden. I have tried to explain that—

Mr. WOODEN (interposing). Well, you mean that by being competitive, do you not?

Mr. ADAMS. If we are seriously interested in a piece of business at the point of delivery we have to quote prices or a price level which is equal to or better than that of our competitors. Now when you break it right down into that broad question you have to take a specific case because a good many times our prices will be lower at the point of delivery than those quoted by our competitors.

Mr. WOODEN. Do you make secret cuts in your published prices?

Mr. ADAMS. May I ask what you mean by secret?

Mr. WOODEN. Without publishing. Do you make cuts in your base prices without publishing the cuts?

Mr. ADAMS. We have testified to that effect.

DEVELOPMENT OF THE PITTSBURGH PLUS SYSTEM

Mr. WOODEN. I would like to ask whether or not with reference to the statement in the pamphlet¹ that the basing point system is the outgrowth of natural economic conditions, you took into account the findings of fact of the Federal Trade Commission to this effect:²

No systematic Pittsburgh Plus system had been adopted by the steel producers at the time of Pittsburgh's greatest predominance in the steel industry or until after 1900. From 1873 or earlier to 1903 steel producers attempted generally with some success to fix prices for steel products through pools, price fixing trade meetings, and later on through what are known as the Gary Dinners. From 1903 to 1909 the Pittsburgh Plus system of quoting and selling steel products was used in connection with and as a basis for the price fixing activities of the steel producers. From 1909 to the present time, with minor interruptions, the Pittsburgh Plus system has been used by the steel producers independently of such pools, price fixing trade meetings and Gary Dinners for the purpose and with the effect of reaching uniform delivered prices. In 1921, with the advent of price competition on plates, shapes and bars, the Pittsburgh Plus system was discontinued by the Chicago district mills in their sales of those products, but not in their sales of sheets and tin plate and wire and wire products, in which articles in that district and everywhere else Pittsburgh Plus prices still prevail.

Did you take into account any such statement in the Commission's findings when you made your statement that the basing point system was a natural economic evolution?

Mr. FAIRLESS. I can't answer that.

Mr. WOODEN. Did you take into account the findings of fact of the Federal Trade Commission to this effect [reading further from "Exhibit No. 343"]:

The wire nail producers, including the Respondent American Steel and Wire Company, agreed on zone prices in May, 1898. In 1904 the large wire producers agreed to maintain uniform prices by means of the Pittsburgh Plus system.

Did you take any such evidence as that into account?

Mr. FAIRLESS. I know nothing about it.

Mr. WOODEN. Did you take this into account as further shown by the findings of fact of the Federal Trade Commission:

Prior to the year 1900 sheet steel was not sold on the Pittsburgh Plus system, and even after the absorption of a large number of sheet mills by the American Sheet Steel Company, which was later taken over by Respondent American Sheet and Tin Plate Company, that company sold its sheets in the Chicago district f. o. b. its mills in that district. In the fall of 1900, however, that company inaugurated the Pittsburgh Plus system in selling its sheets, and the respondent, American Sheet & Tin Plate Co. has followed the system ever since, practically without exception.

Did you take anything like that into consideration?

Mr. FAIRLESS. May I ask, Judge Wooden, what do you mean by taking into account?

Mr. WOODEN. When you made your statement in this pamphlet that the basing-point system originated as a matter of natural eco-

¹ "Exhibit No. 1418," included in Hearings, Part 26.

² Reading from the Federal Trade Commission's Cease and Desist Order in the *Pittsburgh Plus Case*, introduced in Hearings, Part 5 as "Exhibit No. 343" and placed on file with the Committee.

nomics in the steel industry, did you take those things into account when you made that statement?

Mr. FAIRLESS. I can't answer that question. You are going back to a period earlier than the date of the formation of the United States Steel Corporation.

Mr. WOODEN. To some extent, not altogether.

Did you take into account the Commission's findings that

Prior to 1900 to 1903 tin mills sold their products generally f. o. b. mill, but after absorption of many tin mills by the American Tin Plate Company, which was shortly after taken over by Respondent American Sheet and Tin Plate Company, that company inaugurated the Pittsburgh Plus system in selling its tin plate from its various mills. In 1903, it announced as to its Indiana mills that tin plate would no longer be sold f. o. b. the Indiana mills but would be sold thereafter on the Pittsburgh Plus system because of the higher cost of production at the Indiana mills. The Respondent American Sheet and Tin Plate Company has continued the Pittsburgh Plus system ever since on tin plate.

Did you take any such evidence into account?

Mr. FAIRLESS. What was the latter statement?

Mr. WOODEN. This was in 1924, these findings, and to the effect that the American Sheet & Tin Plate Co. had continued the Pittsburgh Plus system ever since on tin plate.

Mr. FAIRLESS. As I understand it, these findings that you are referring to are under review, are still in litigation.

Mr. WOODEN. Yes, but as a matter of fact the Corporation did not take those findings up for review from 1924 until 1938.

Mr. FAIRLESS. I would refer that to our General Counsel.

Mr. WOODEN. Don't you know that is a fact? Isn't it a fact that it was 1938 before steps were taken to have those findings and the Commission's order reviewed in the courts?

Mr. FAIRLESS. Are you asking me?

Mr. WOODEN. Yes.

Mr. FAIRLESS. I submit all legal questions to a lawyer.

Mr. WOODEN. That is a matter of fact as to time I am asking you, whether that didn't occur in 1938, 14 years after the findings and order were made.

Acting Chairman O'CONNELL. I think it is in the record before this committee that it was in 1938 that the Steel Corporation appealed from the order in the *Pittsburgh plus case*. There is no reason why you should know that. I happen to know that, I think it is in the record.

Mr. FAIRLESS. It keeps me quite busy, Mr. Chairman, to keep up with the practical problems of making and attempting to sell steel without getting into the legal or economic fields.

Mr. WOODEN. But the Corporation undertook to state in these pamphlets which you present that the basing point system originated in the natural economics of the industry. I am calling these matters to your attention to see whether you considered them when you made those statements.

Did you ever read or have called to your attention any of the testimony in the *Pittsburgh plus case* before the Federal Trade Commission?

Mr. FAIRLESS. Not recently.

Mr. WOODEN. Did you ever read the testimony of Col. Henry Bope in that case?

Mr. FAIRLESS. Not to my knowledge.

Mr. WOODEN. Did you know who Colonel Bope was?

Mr. FAIRLESS. In a general way.

Mr. WOODEN. He was one of the early pioneers in the industry, was he not?

Mr. FAIRLESS. I believe he was.

Mr. WOODEN. And prominently identified with the Carnegie interests and until the Carnegie Corporation was taken over by the Steel Corporation? I understand that he was vice president of the Carnegie Co. before it was taken over by the United States Steel Corporation.

(Senator King assumed the Chair.)

Mr. WOODEN. Wasn't Colonel Bope vice president of the Carnegie Corporation after it was taken over by the United States Steel Corporation for many years?

Mr. FAIRLESS. I haven't any idea.

Mr. WOODEN. Did you ever read or have called to your attention the testimony of Colonel Bope in the *Pittsburgh plus case* as follows:

Q. Going back to the original organization, what connection did the Pittsburgh base system have with that?

That has to do with pool meetings.

A. The price was made, based upon Pittsburgh, because the Carnegie Brothers and Company were the largest manufacturers, and it was felt they should have the say as to what the price should be, and how it should be established at the main point, so as to give stability of prices, which had been fluctuating all over the lot.

Q. By that do you mean to get uniform prices?

A. To get uniform prices.

Q. Before that time what was the practice?

A. The practice was generally to quote F. O. B. mills. Every mill was a law unto itself.

Q. And the difference in prices between the mills, did that amount to the freight rate, or was it entirely independent?

A. Each mill made whatever price seemed necessary to take the business.

Mr. FAIRLESS. What is the date of that?

Mr. WOODEN. The testimony was given in the *Pittsburgh plus case* on November 7, 1922, the transcript of the testimony pages 10857-10870.

Did you ever read or have called to your attention Colonel Bope's testimony to this effect in the same case:

Q. Would you mind giving the dates when you became associated with each association?

A. Do you mean as to what I knew about them from actual association with them?

Q. Yes, that is what I mean.

A. I sat in what was known as the Bar Association from 1897 on. That was what was called a gentlemen's agreement. It was not a pool. It was nothing more or less than an association to help stabilize prices, but more particularly to stabilize extras, which had been very unscientific in their manner, and we went to a cost basis in order to establish scientific extras, which were almost more important than the base price, and many of the associations dealt with matters of that kind quite as much or more than they dealt with prices; but the structural association existed in one form or another from 1880, excepting in 1893, when the panic produced such a chaotic condition of affairs that practically all the associations were dissolved; but they came together again after things began to get a little bit more stabilized.

Q. What was the necessity for a basing point? Could they maintain prices without a basing point?

A. No. They tried it once in 1909 and got into such chaos in a short time that the mills were glad to get back to the old base. Every system has to have

some stabilizing point, and Pittsburgh from its natural location, its natural advantages, and everything of that sort seemed to be the natural basing point.

And further:

Why, I do not see how it would have been possible to have maintained stability in the steel market under the conditions of its growth without having some point on which they could base their method of operation.

Q. And by stability do you mean uniform prices?

A. That did give a stability to the general market.

Q. Is that what you meant by stability?

A. Yes."

You never took into account any of that sworn testimony in making the statement that the basing point system originated in the natural economics of the industry, is that correct?

Mr. FAIRLESS. I have read very little, if any, of that testimony, and I fail to see its significance. There may be a great significance which I am overlooking.

Mr. WOODEN. Then why, if it is not significant to you, did you make the statement in your pamphlet that the basing point system originated in the natural economics of the industry and not in the cooperative, concerted activity such as I have referred you to?

Mr. FAIRLESS. Well, it seems to me that the steel industry, to begin with, grew with the United States of America. Now when you go back to 1890, which happens to be the year I was born, I wouldn't know very much about the basing point system at that time, and I don't think I was very much concerned about it, or even in 1900, or even in 1901, the year the United States Steel Corporation was formed, but it does seem reasonable to me that as this industry grew—it grew like a mushroom as we all know because of the demands of this great country—there had to be some method for merchandising its products.

Now, there were many changes, there have been many changes in the make-up of the steel industry. I believe the records will show that in 1901, the year of the formation of the United States Steel Corporation, that it produced somewhere around 60 or 65 percent of all the steel that was produced in the United States in that year, so that was the United States Steel Corporation of 1901.

Mr. WOODEN. It wasn't that high, really, Mr. Fairless, on the total production but merely on some products it ran that high.

Mr. FAIRLESS. That may be, but now we come to 1939 and the United States Steel Corporation is a much larger company today than it was in 1901, but its percentage participation in the steel business in 1939 was in the thirties, in the low thirties, so we have had many changes, competition has grown, and so has our country.

So far as the multiple basing point system is concerned, again reviewing my previous testimony, it grew; it grew with this industry, and many changes have been made. At one time there was a single basing point, and then there became a basing point in Chicago. Why? Because of the tremendous producing facilities that were built in Chicago about 1906, I believe, or '07. And the next phase of the basing-point system—this is just a general observation—were the differentials that were established. Why were they established? They were established probably because of two things: First, the market would permit it; and secondly, the consumption of steel in that particular territory was greater than the producing facilities.

Now those are general statements. They changed because facilities, producing facilities, were augmented. Then we come to more companies and more basing points, more basing points on all products. Our next step, and I think a very important one, which we took on June 24, 1938, was the elimination of the differentials, practically—practically the elimination of the differentials insofar as basing points applied to the United States Steel Corporation subsidiary companies. So the statement that you refer to in our pamphlet expresses the opinion of those that had to do in a general way with the preparation of this statement, that the multiple basing-point system was a natural development as a merchandising vehicle for the steel industry.

Mr. WOODEN. Do you want to stand on that statement in the pamphlet, notwithstanding this evidence of its origin to which I have called your attention?

Mr. FAIRLESS. We have submitted this pamphlet for the record and that is my stand, of course.

Mr. WOODEN. I would like to know whether you took into account or had called to your attention in the preparation of this pamphlet the testimony of one Edward Worcester, formerly vice president of National Tube Co., appearing on pages 11270-278 of the testimony in that case, where Mr. Worcester says—

Acting Chairman KING (interposing). He was former vice president of the National Tube Co., which as I understand it was a Corporation subsidiary.

Mr. FAIRLESS. And still is.

Mr. WOODEN. Mr. Worcester testified:

By the manipulation of freight rates we were often obliged to ship pipe from Pittsburgh to Richmond or Memphis as a destination. We delivered at Richmond, and they had a lower rate from Richmond than they had from the nearest crossing to that, which would be Cincinnati or Louisville. So pipe used to travel in that roundabout way. That was the condition when we took hold of it in September, 1899.

Q. At that time you got together and considered plans for the future?

A. Not with anybody except ourselves.

Q. I mean those eighteen companies that then organized—was that the idea, that they met together?

A. Oh, no, those companies were already the National Tube Company in September, 1899, and the only ones who had anything to do with it were our executive officers and myself. I was General Sales Agent at that time.

Q. What changes did they make, if any, at that time?

A. There were several plans proposed, and I proposed that in order to have a price perfectly definite to everybody anywhere, that we should sell delivered, freight prepaid, so that there could be no interference with our freedom of action as to shipments, and no doubt in the mind of the customer what he was going to pay for his pipe, and in order to do that we had to select a basing point to work from. So we established what was known as the Pittsburgh basing discount. That was under discussion from September, 1899, until February, 1900, and was finally agreed to among ourselves and put out on March 1; I think, 1900; but theretofore the list price of pipe—pipe is all sold on the basis of list and discounts—the list price of pipe took care of the various costs of the various sizes, so that pipe could be sold at one discount practically. That would have been a very cumbersome thing for us to handle. There was nothing to base your freight on. So we changed that and made our list ten cents a pound.

Q. Made your list ten cents a pound?

A. Made our list ten cents a pound, so that if three inch pipe weighed ten pounds the list was \$1. If four inch pipe weighed ten pounds, it was \$1. If it weighed twelve pounds it was \$1.20. So that every ten cents a hundred weight, which would be \$2 a ton, would be one per cent of discount. As your list was \$200 a ton, one per cent of discount would be \$2 a ton; so that when we published a Pittsburgh basing discount, we published it with these lists, and with a tariff

book giving the rate of freight from Pittsburgh to every point in the United States, which was all distributed freely, and anyone anywhere wishing to know what pipe would cost him where he was had simply to take the Pittsburgh basing discount and the freight rate. Supposing the basing discount was 50 per cent and the freight to where he was was 50 cents, that 50 cent rate meant five per cent of discount, so that he knew that his price, if it cost him fifty at Pittsburgh would cost him forty-five there.

That plan has been in operation without any trouble from that time to this time.

Q. Have the competitors of the National Tube been using Pittsburgh as a basing practice since?

A. They have followed our practice in quoting, I believe.

That method of quoting pipe in terms of discount and length rather than weight still obtains, does it not?

Mr. FAIRLESS. It depends on what kind of pipe you are talking about, Judge. Standard pipe—

Mr. WOODEN (interposing). Some kinds of pipe. You tell us what kinds.

Mr. FAIRLESS. I am willing to admit that some grades of pipe are sold as you outline and others are sold on the ton basis, the weight basis.

Mr. WOODEN. Which kinds are sold on the discount basis that I have outlined?

Mr. FAIRLESS. The discount basis?

Mr. WOODEN. Yes.

Mr. FAIRLESS. All pipe is sold on a discount basis, if it is cash discount you are talking about.

Mr. WOODEN. I meant a discount from a high list such as the \$200 that was mentioned.

Mr. FAIRLESS. Standard pipe is sold on the discount basis. That is because of its distribution largely through jobbers. Standard pipe is very seldom sold directly from any producing mill. It is distributed through jobbers because of the necessity of the wide distribution of standard pipe.

Mr. WOODEN. That is the reason the pipe lists are based on the high list of discount, because it is sold through jobbers?

Mr. FAIRLESS. Largely, that is standard pipe. Seamless pipe is not sold that way. Line pipe is sold direct to the customer at a definite price, the same as plates or any other product.

Mr. WOODEN. Large oil companies, for pipe lines and natural gas companies?

Mr. FAIRLESS. Right.

Mr. WOODEN. Will you look on page 50 of "Exhibit No. 1418?"¹ Do you see there the statement to the effect that the location of mills in the industry cannot be attributed to any pricing method?

Mr. FAIRLESS. Yes, I have it.

Mr. WOODEN. How do you reconcile that statement with the statement appearing on page 47 of the same document which says:²

However, it can be pointed out that in many respects the existence of the Pittsburgh plus method would have a natural tendency to encourage location of mills outside of rather than at Pittsburgh?

Mr. FAIRLESS. Let me get through with this first one first. I should like, Mr. Chairman, to reply to the statement made on page 50, which reads as follows:

Thus a location—

¹ Appendix p. 14619.

² Ibid. p. 14648.

of the steel mill—

cannot justly be called "uneconomic" unless some other location can be shown to be better. The benefits of proximity to a large consuming market may be offset by high assembly costs. A large steel mill cannot limit its operations to the few products for which there might be a local demand, and the small scale operations of the smaller mill would undoubtedly result in high operating costs with no saving to its customers. The location of mills upon the sole basis of nearness to a market would always subject them to local and seasonal variations in demand, and might well be disastrous if the market should subsequently move away because of labor difficulties or other causes. Concentration of facilities necessarily results from the nature of the steel industry, and present locations of mills are based upon a proper consideration of the economic factors involved. They cannot be attributed to any pricing method.

Mr. WOODEN. It is that last sentence that I want you to consider in connection with the sentence on page 47 and ask you to reconcile them.

Mr. FAIRLESS. What is the next one?

Mr. WOODEN. Page 47, where you say, "It can be pointed out that in many respects the existence of the Pittsburgh plus method would have a natural tendency to encourage location of mills outside of rather than at Pittsburgh."

Mr. FAIRLESS. The Pittsburgh plus method, of course, is not in existence.

Mr. WOODEN. But the mills were located, many of which were in existence during the Pittsburgh plus period.

Mr. FAIRLESS. Let's read it and see what it says.

Acting Chairman KING. Proceed.

Mr. FAIRLESS. "Under the Pittsburgh plus method delivered prices all over the country were higher"—

Mr. WOODEN. Just before that, the sentence before that.

Mr. FAIRLESS. The paragraph before.

Mr. WOODEN. The sentence before it.

Mr. FAIRLESS. I don't want to read just a sentence. Can't I read the entire paragraph?

Mr. WOODEN. All right; simply amplify what I have called your attention to.

Mr. FAIRLESS. "An accurate appraisal of this criticism—" what is the criticism? The heading—probably better read the entire article.

Mr. WOODEN. I don't think that is necessary in order to call attention to these two apparent contradictions.

Mr. FAIRLESS. I have found it quite convenient to read an entire article, Judge, oftentimes, rather than just a sentence that one might pick up.

Acting Chairman KING. If the entire article is not necessary to answer the question, don't read it, but if you consider that it is quite necessary because of the language which would show upon the question involved, I think perhaps it would be relevant. I will let you be the judge for the moment, but if I think you are going far afield I will check you.

Mr. FAIRLESS. I don't care to read it at all, but just trying to clarify it.

Acting Chairman KING. We will try to clarify it.

Mr. WOODEN. Let me ask another question that you can clarify at the same time.

Mr. FAIRLESS. Let's see if I can do anything with the one you have already asked me.

Mr. WOODEN. It is the same thing in another form; maybe you can answer them both at once. On page 47, amplifying about the Pittsburgh plus method, it says—

This encouraged the location of mills at Chicago, Buffalo, Bethelhem, Sparrows Point, Cleveland, Birmingham, and so forth, and made possible the constant expansion of their facilities.

Mr. FAIRLESS. That is right.

Mr. WOODEN. How do you reconcile that with the statement on page 50, that the location of mills cannot be attributed to any pricing method?

Mr. FAIRLESS. Well, I should like to cover both, if I may.

Acting Chairman KING. You may, as briefly as you can.

Mr. FAIRLESS. Yes; I will. In my early testimony in November you recall that I presented to the committee the reasons for locating a steel plant. It isn't market, except to a limited extent; it is raw materials and their cost of assembling, fuel, iron ore, flux. That is why Pittsburgh, with its wonderful fuel and its transportation facilities, became a steel center.

Now in respect to markets, markets are ever changing, so therefore you cannot build a steel plant in respect to a market. Detroit today is the center of automobile production, but 20 years from now Detroit may not be the center of automobile production, and so it goes with rubber, and so forth. Now in respect to pricing, the location of the steel industry at Pittsburgh certainly had no relationship with prices. Now you asked me why Chicago grew and why we make this statement.

Mr. WOODEN. No; I didn't ask you that; I asked you how you reconciled the statement on page 50, that the location of mills had no relation—couldn't be attributed—to any pricing method, with the statement on page 47 that the Pittsburgh plus system did encourage the location of mills at Chicago and other points named.

Mr. FAIRLESS. Well, if the Pittsburgh plus were in effect—in other words, if we only had one basing point and that was Pittsburgh—that is what we are talking about—obviously it would encourage locations such as Chicago and Birmingham and other locations to develop steel plants.

Mr. WOODEN. Then the statement on page 50 that the location of mills cannot be attributed to any pricing method is not correct, is it?

Mr. FAIRLESS. I think it is correct.

Mr. WOODEN. You just got through saying that Pittsburgh plus encouraged location of mills at Chicago and elsewhere.

Mr. FAIRLESS. Well, you are turning it around the other way and looking at it—I am simply stating that you don't build a steel plant and locate a steel plant with respect to price of the product that you are going to make; it is to put the idea in mind of the costs to produce those products.

Mr. WOODEN. All right.

Acting Chairman KING. Then the basing point is not the mother and father of any particular steel plant at a given place?

Mr. FAIRLESS. No, certainly it is not.

Acting Chairman KING. The raw material is essential to the development, to the production of steel, then, as an important factor in determining where the mill shall be located?

Mr. FAIRLESS. Market is a factor, but not the predominating factor.

Mr. DAVIS. Isn't it a fact, though, that one of the effects of the basing point system is to maintain plants at locations which are no longer economically situated?

Mr. FAIRLESS. I don't believe so, Judge.

Mr. DAVIS. And haven't some of the members of the industry from time to time given that reason and stated that if the system was abolished it would eliminate plants located at some of these uneconomic points because the materials supplying the mills originally have been exhausted, and so forth?

Mr. FAIRLESS. Would you care to give an example of an uneconomic point where a steel plant is located?

Mr. DAVIS. Well, I am no technician; I think we can do that.

Mr. FAIRLESS. I only ask the question to clarify.

Mr. DAVIS. I am speaking generally on that subject.

Mr. FAIRLESS. Do you agree we have producing plants in Pittsburgh, Chicago, Birmingham—speaking of districts now, and the Pacific coast? Are any of those uneconomic?

Mr. DAVIS. I am not on the stand.

Mr. FAIRLESS. I was just asking the question.

Mr. DAVIS. If Mr. Wooden or members of the committee ask you a question they are entitled to an answer and then if you want to make any pertinent explanation, why of course you are at liberty to do so, but I don't care to argue the matter with you. If you are not prepared to answer the question, it is all right.

Acting Chairman KING. I think perhaps the question would imply that you are the judge of whether it is economic or uneconomic, and if Judge Wooden or any of the members of the committee think that your determination of a given point is economic or uneconomic, then we might ask for further explanation.

Mr. FAIRLESS. We feel every one of our producing plants is located economically. Now there are comparisons, of course. Some are more economic than others in respect to assembly costs of raw materials. Obviously it costs us more money to assemble raw materials on the Pacific coast than it does in Birmingham, and in some instances in respect to some raw materials it costs us more money to assemble raw materials in Pittsburgh than it does in Chicago. Chicago has a decided advantage in respect to ore, but that is offset to a great extent by its disadvantage in respect to coal.

Pittsburgh has a great advantage in coal and has a disadvantage in respect to ore comparable to the transportation costs from lower lake ports to Pittsburgh.

Acting Chairman KING. Have some of the plants of your company, by reason of changes in the market or changes in the facilities of obtaining ore or for other reasons which are material in the production of the finished commodity, become uneconomic to maintain so that you are compelled to abandon them, or if you haven't abandoned them that the costs of production are so great as that those costs impinge upon those plants where the costs are much less and where the returns are much greater?

Mr. FAIRLESS. Exactly as you have put it, we have abandoned two steel producing plants within the last year or 18 months for that very reason.

Mr. WOODEN. Mr. Fairless, will you agree that the natural and logical effect of an interference with or suppression of price competition is to encourage, to tend to encourage, the location of plants that are relatively uneconomically located?

Mr. FAIRLESS. I believe that question could be simplified? I would like to have it repeated.

Mr. WOODEN. I will try it again. Would you agree that the natural and logical tendency of any long-continued interference with price competition is to cause mills to be located in relatively uneconomic locations?

Mr. FAIRLESS. I believe that if there was no competition in the steel industry and prices could be named at any level and maintained that there would be a so-called umbrella held over uneconomic operations in various parts of the country.

Mr. WOODEN. And the effect of the umbrella would be, would it not, to encourage the location of mills that are relatively uneconomically located?

Mr. FAIRLESS. If it existed it would.

Mr. REYNDERS. On the other hand, you would not locate a new plant in such a location.

Mr. WOODEN. Not all plants can be equally well located.

Mr. REYNDERS. There may be an existing plant which gradually had become uneconomic which is being maintained in operation. I don't believe that it is an economical thing, as far as natural economy is concerned, because of the community which has been built around that plant, to scrap a plant like that; it not only scraps the facilities, but it also scraps the whole community which has grown up around that plant.

Mr. FAIRLESS. Steel plants when built in many cases were economically sound. It might have been that the assembling cost of the raw material at that particular point was higher than the lowest or lower cost competitors, but it probably had a market, it probably had a labor condition or many other factors that have to do with costs other than just the assembly cost of raw materials, important as it is, and as time went on they lost those factors, they lost their markets, or the methods employed in making their particular products were changed, technological developments came. I cite you the many tin mills, tin-plate plants, that have been forced to close down because of the technological development over the last 10 years approximately in the manufacture of tin plate.

Acting Chairman KING. Do many plants in the steel industry, not only in your company but the industry generally from your knowledge of that industry, become obsolete because of technological developments or because of the exhaustion of raw materials or higher freight rates which have resulted from modification of railroad activities, and for other reasons?

Mr. FAIRLESS. Many plants of individual companies and in some cases entire companies have gone out of business.

Acting Chairman KING. If I may put a personal statement in the record, I know of a number of smelters in the West that have been compelled to close down that cost large sums of money because of the exhaustion of mines or because of different freight rates, because of technological development. I was wondering if there would be any analogy between that situation and the steel industry.

Mr. FAIRLESS. There is, definitely.

Mr. WOODEN. Mr. Fairless, didn't some representatives of the steel industry testify before the Senate Committee on Interstate Commerce in connection with the so-called antibasing point bill that the abandonment of the basing point system would result in abandonment of some plants, some resultant injury to communities where those plants were located?

Mr. FAIRLESS. I am not going to testify in respect to someone else's testimony. I will, however—

Mr. WOODEN (interposing). You were present, were you not, at those hearings?

Mr. FAIRLESS. I would like, however, to make this observation, which I believe answers the question, that in respect to the basing point system it has grown with this industry, it is about 50 years old, I believe. The United States Steel Corporation does not take the position that there aren't any criticisms, justified criticisms, of the basing point system. Our position is that it is the best merchandising medium for our steel products that has been called to our attention, and also that if a better method is called to our attention we would be the first to adopt it, but I would like to call to the attention of this committee at this time—and I think it is appropriate to our discussion—that very careful consideration must be given not only by the steel industry but by Government to the effects of a change in the present multiple basing point system. It isn't something that can be discarded and some untried method to replace it made without very, very careful consideration. Now we have communities, and someone just referred to plants, in what Judge Wooden read, that would be dislocated, but I don't know what that particular witness meant by plants; it might have been a steel plant, it might have been a fabricating plant, but we do know in the many locations where we have steel plants located, we also have many fabricators of steel that are located adjacent to those particular plants. Now if some change were made, were forced upon this industry by legislation, that caused a complete change in the merchandising of the products that this industry produces, there would undoubtedly be some very severe repercussions.

Acting Chairman KING. To what extent?

Mr. FAIRLESS. To what extent I am not able to answer because I haven't had any definite replacement of the multiple basing-point system put before me, and if there were a proposed system put before me I couldn't say yes or no to it without very careful study.

Acting Chairman KING. I want to ask you, Mr. Fairless, if the steel company maintains many fabricating plants, or is it engaged rather in the production of the raw materials?

Mr. FAIRLESS. Largely our policy is to stick to the steel business as closely as we can. We do have a very large fabricating unit, the American Bridge Co., and that is necessary in order to carry on our heavy line steel business.

Acting Chairman KING. There is a relation, then, an economic relation, as well as a practical relation, between fabricating plants and the manufacturing plant.

Mr. FAIRLESS. Very definitely.

Acting Chairman KING. A plant might become obsolete and warrant being scrapped, but in so doing it might seriously injure a fab-

ricating plant which furnished employment for a large number of people.

Mr. FAIRLESS. That is right.

Acting Chairman KING. And vice versa.

Mr. FAIRLESS. Right.

Acting Chairman KING. And a plant may become obsolete and thus call for the obtaining of ingot steel from a more remote distance, so that the plants may become obsolete, thus injuring the fabricating plants, the fabricating plants may become obsolete because of technological developments, and thus reduce materially the market for the steel of the plant.

Mr. FAIRLESS. It is very possible.

Mr. WOODEN. Are those changes in location and continued operation of mills going on as a result of technological changes?

Mr. FAIRLESS. In some lines of this industry. That is particularly true in the light rolled products.

Mr. WOODEN. Do you see any reason why changes should not be allowed or forced to take place because of pressure of competition?

Mr. FAIRLESS. There is no technological development being held back because of price competition.

Mr. WOODEN. I didn't say that, but if dislocation of plants takes place because of technological developments, why are you afraid of any possible dislocation because of pressure of competition?

Mr. FAIRLESS. I didn't say that I was.

Mr. WOODEN. You are not, then?

Mr. FAIRLESS. I am not.

Mr. WOODEN. But doesn't your pamphlet take the position that the abandonment of the basing point system would cause a great deal of dislocation of mills and disruption of industry?

Mr. FAIRLESS. It would. It does and it would, in our opinion. It isn't just mills we are talking about. It is industry. We are talking about the users and the fabricators of steel rather than the producers of steel.

Mr. WOODEN. It follows from that, then, does it not, that there is some connection between the location of industry and the plants with the pricing method used by the industry?

Mr. FAIRLESS. No, sir, no; not at all, Judge Wooden, because you locate your steel plant for one reason and then your fabricator locates his factory because of the steel plant location.

Mr. WOODEN. Didn't you say on page 47 of your pamphlet that the Pittsburgh Plus method encouraged the location of mills at Chicago, Buffalo, Bethlehem, Sparrows Point, and other spots?

Mr. FAIRLESS. Yes; but there is no Pittsburgh plus today.

Mr. WOODEN. The mills are there, aren't they?

Mr. FAIRLESS. Where?

Mr. WOODEN. At those various points.

Mr. FAIRLESS. Yes; and they grew during that period.

Mr. BALLINGER. Mr. Fairless, you admit in the pamphlet here that if you changed the pricing system in the steel industry to an f. o. b. system that it would cause tremendous changes in the steel industry with respect to plants, didn't you, so there must be some relation between a pricing system in the steel industry and the location of the plants.

Mr. FAIRLESS. I don't believe so, Mr. Ballinger—well, some relation.

Mr. BALLINGER. You say considerable relationship, on page 97:

The above criticisms of the uniform f. o. b. mill price system have shown that it involves definite economic losses, it would destroy the investment in many plants, it would also act injuriously on many local communities whose welfare is dependent on the steel mills at that point.

There would be a big shift in the steel industry?

Mr. FAIRLESS. If you went to a uniform f. o. b. mill system, that is something else.

Mr. BALLINGER. It is a different pricing system than the one you have now.

Mr. FAIRLESS. It is a different method of merchandising, yes.

Mr. BALLINGER. Then the pricing system does have some effect.

Mr. FAIRLESS. We don't know what anyone really means by uniform f. o. b. mill pricing system.

Mr. BALLINGER. You don't know what it means and yet you say this is going to be the result of it.

Mr. WOODEN. Beginning on page 86¹ of your pamphlet, "Exhibit No. 1418," and running over for quite a number of pages, you devote a great deal of attention to showing the disruptive effect upon business of a change from a basing point system of pricing to a mill system of pricing.

Mr. FAIRLESS. Well, I should say any new system, any new system, whether it would be a uniform f. o. b. mill or not, should at least be given very careful consideration. Before you could give your answer you would naturally have to have the details that had to do with the new system. There isn't any mystery about the multiple basing point system. We all know, and I think this committee knows, pretty well how it operates. Something that would replace it I would like to know equally as much about as I do about the present multiple basing point system before I expressed an opinion.

Mr. BALLINGER. Mr. Fairless, if it could be shown that this system of merchandising steel did repress price competition, then would you be willing that the system should be changed so it would restore competition even though it resulted in dislocations in the steel industry?

Mr. FAIRLESS. That is a very broad question. I am not concerned chiefly about the steel industry. I am concerned about the effect of this problem on the economics of the United States of America.

Mr. BALLINGER. But suppose the effect of the economics is repression of price competition.

Mr. FAIRLESS. I am not going to suppose anything unless I know what we are talking about. I am firmly convinced, and I think I know something about the steel business—not too much, not enough, but I know something about it—I am firmly convinced that the present multiple basing point system does not control prices. I make that as a definite statement for this record.

Mr. WOODEN. Mr. Fairless, in that connection, isn't it a fact that even when some buyers, large buyers like the automotive interests, were getting concessions from the base price, that other buyers continued to pay the full base price?

¹ Of the original.

Mr. FAIRLESS. Not generally speaking.

Mr. WOODEN. Now, it is true to a great extent, isn't it, as to smaller buyers?

Mr. FAIRLESS. Are you going to answer your own question?

Mr. WOODEN. No, I am asking you.

Mr. FAIRLESS. Then I shall answer it. You asked me the question and I think you refer to the sale of sheets, strip, flat rolled products at six and eight dollars a ton off.

Mr. WOODEN. No; I am not referring to that particularly, or exclusively at any rate.

Mr. FAIRLESS. Tell me what you want me to answer.

Mr. WOODEN. I am asking you the general question whether or not some buyers, particularly smaller buyers, have not continued to pay full base price plus freight on some steel products while other buyers, large buyers, were getting concessions.

Mr. FAIRLESS. Well, I would have to go through or cause someone to go through all the records of all the subsidiary companies.

Mr. WOODEN. Then you don't know.

Mr. FAIRLESS. I know my business, I believe, pretty well. I would say this, that when we have a general price decline in any of our products it doesn't take very long until that becomes country-wide. Now I wouldn't make the statement that if a price were reduced in Detroit on Monday that on Monday simultaneously that reduced price was effective throughout all the United States. It can't operate, this industry can't operate, that rapidly.

Mr. WOODEN. If it were published it would become operative?

Mr. FAIRLESS. If it were published?

Mr. WOODEN. Widely known. Aren't some of these concessions made without publication?

Mr. FAIRLESS. What do you mean—not concessions, no.

Mr. WOODEN. Well, reductions below the full base price figure—aren't they made without knowledge of competitors?

Mr. FAIRLESS. Well, I'll be very happy, if you want to take the time, to go over our pricing policy.

Acting Chairman KING. Answer the question "yes" or "no."

Mr. FAIRLESS. I would have to have an example.

Mr. BALLINGER. Mr. Ford changed from model T to model A. Did he come to you and tell you you would have to knock down the price of steel to him?

Mr. FAIRLESS. Model T to model A?

Mr. BALLINGER. Well, he changed models in 1928 and put on a new model.

Mr. FAIRLESS. No.

Mr. BALLINGER. He didn't come to you and tell you you would have to give him a concession on steel?

Mr. FAIRLESS. No; I think I told you this myself—

Mr. BALLINGER (interposing). I wasn't going to reveal the source.

Mr. FAIRLESS. There is no secret about it. What I told you in respect to Mr. Ford was that Mr. Ford got into more or less difficulties in '21, I believe. He came to all of his suppliers, whether it was steel, rubber, leather, wool, or whatever the product might be, and asked for a reduction in price. Now, the question you are asking me is, did every user of steel get that price?

Mr. BALLINGER. Yes; a similar reduction.

Mr. FAIRLESS. All I can say is that at that time—and the product I was confronted with happened to be chrome vanadium steel, because Ford used chrome vanadium steel and we were large manufacturers—that automatically became the price of chrome vanadium steel to anyone who cared to use it.

Mr. BALLINGER. So he didn't get a special concession?

Mr. FAIRLESS. No; he secured a lower price and at the same time the price for the product moved down to that level, because obviously we couldn't sell another automobile company at some higher price, and it was largely the automobile companies that used that product.

Mr. WOODEN. Is it not a fact, Mr. Fairless, that Government purchases on sealed bids have continued to reflect quite largely the full base price, plus the freight; in other words, to be based on the basing-point system?

Mr. FAIRLESS. We have the figures. Do you want them? They are presented here.

Mr. WOODEN. We are going into those, too, but is it not a fact that your policy has been to quote the full base price on Government bids?

Mr. FAIRLESS. Our policy is to secure our published prices everywhere we can, and any time we do not secure those prices it is because of competitive conditions that prevent us from doing so.

Mr. WOODEN. You found the competitive conditions such that they permitted you to quote and get your full base price on Government bids?

Mr. FAIRLESS. In some instances; in many instances, no.

Mr. WOODEN. Those instances you refer to are covered by these compilations which you referred to a moment ago? ¹

Mr. FAIRLESS. They are.

Well, we may have been successful in some of those. We only refer to the transactions for that period. In Washington, too. We are not talking about Federal purchases otherwise.

Mr. WOODEN. Do you know how that compilation was made up?

Mr. FAIRLESS. Yes; it is an accurate record, so I am told, that was made by our Washington office, which follows all the lettings and all the biddings in Federal work.

Mr. WOODEN. It is based on page 34 of your statement on a basis of value, is it not?

Mr. FAIRLESS. That is right.

Mr. WOODEN. Not upon the number of cases of bidding?

Mr. FAIRLESS. Well, obviously many of these items are for a very small amount, as you know.

Mr. WOODEN. But you based it upon value?

Mr. FAIRLESS. We state how we value it, and I might add it does not include, because we thought it would be unfair to include, big tonnage items such as armor plate and protective deck plates.

Mr. WOODEN. As a matter of fact, do you not have in there many items that are not rolling-mill products?

Mr. FAIRLESS. Well, I can't answer as to the detail. The information was furnished to our special T. N. E. C. group by our Washington office.

Mr. WOODEN. Don't you have in there many items involving quotations by jobbers as distinguished from producers?

¹ "Exhibits Nos. 2210 and 2211," appendix, pp. 14444-14457 and 14458-14505.

Mr. FAIRLESS. I can't answer that.

Mr. WOODEN. Now, beginning on page 86 and running for a number of pages, you devote a great deal of attention to the claim that the ending of the basing-point system and the substitution of a mill-pricing system would dislocate and disrupt the industry and result in creation of a lot of local monopolies. Is that not correct?

Mr. FAIRLESS. That is right.

Mr. WOODEN. How do you reconcile that statement made on those pages with your statement in "Exhibit No. 1418," reading as follows:

It is impossible to measure quantitatively the amount of transportation costs which might be considered unnecessary from any point of view, and it is equally impossible to measure the economic costs which would result from any interference with present practices, or more specifically, from any direct or indirect limitation of selling territories.

Mr. FAIRLESS. I don't believe we could accurately measure it, but we think it would be tremendous.

Mr. WOODEN. Do you think it is impossible to measure?

Mr. FAIRLESS. I think it is impossible accurately to measure the results of any untried theories.

Mr. WOODEN. You went ahead to attempt to measure the impossible, is that right?

Mr. FAIRLESS. All we are trying to do, and if I am correct, all we tried to do was to make a very careful study of these various problems and present our findings and our opinions to this committee. We take the position that they are not perfect; we don't take the position, and never have, that everything we have said in every one of these pamphlets is 100-percent correct, that there are no errors. Undoubtedly there are many errors, but this is the best that we could do; we did it honestly; we spent much time, and I might add much money, in preparing it and it is submitted to this committee for whatever it is worth.

Mr. WOODEN. You also stated on page 47 of "Exhibit 1418," "There is no way by which the present steel-producing facilities can be compared scientifically with those which would have existed under other conditions." Yet you attempt to demonstrate that a change in the system will produce a lot of local monopolies and cause an economic disaster, is that correct?

Mr. FAIRLESS. Yes, sir; definitely. That is what we contend, and that, of course, is based upon the facts as we present them, and without any definite system, with its details all developed to replace our present system.

Mr. WOODEN. You make the statement in your pamphlet that the Federal Trade Commission has proposed to impose by law or mandate an f. o. b. mill price that is uniform to all customers of a given mill. Do you mean to say that the Federal Trade Commission proposes to ignore the exceptions and provisos of the statute, the Robinson-Patman Act, that provides exceptions where the price to various customers need not be uniform?

Mr. FAIRLESS. Well, I would assume that the Federal Trade Commission would at all times attempt to obey all the statutes the same as the United States Steel Corporation.

Mr. WOODEN. Then you don't mean to say that the Federal Trade Commission proposes to impose by law or mandate a price at the mill that is uniform to every customer?

Mr. FAIRLESS. To be perfectly frank, Judge, and not with any attempt at being flippant, I really don't know what you do propose.

Mr. WOODEN. Well, you state in here at quite some length what the Commission proposes.

Mr. FAIRLESS. There have been statements that that was your answer to the present multiple basing point problems as you found them. Now you may be incorrectly quoted.

Mr. WOODEN. You don't know as to that?

Mr. FAIRLESS. You have never told me personally.

Mr. WOODEN. Would you think that to impose by law or mandate a mill price absolutely uniform to every customer would be without regard to the provisos of the law which permit differences in price to different customers under certain conditions?

Acting Chairman KING. Are you asking whether he believes in a law of that character?

Mr. WOODEN. I am asking whether he is charging in this pamphlet the Federal Trade Commission with seeking to impose by law or mandate the imposition of a mill price that is uniform to all customers, when the law itself does not so provide.

Mr. FAIRLESS. I have not suggested any such thing and have no intention of doing so.

Mr. WOODEN. Well, your pamphlet suggests it, does it not?

Mr. FAIRLESS. Not my interpretation of it.

Mr. WOODEN. Does it not say that the Federal Trade Commission proposes by law or mandate to establish a price at the mill that is uniform to all customers?

Acting Chairman KING. You can't answer that question?

Mr. FAIRLESS. I don't know. I really don't know. I beg your pardon.

Mr. WOODEN. Look at page 37 of "Exhibit No. 1418." Do you find there the statement that the "Federal Trade Commission proposes to impose by law or mandate"?

Mr. FAIRLESS. I shall read it if you will give me time.

Mr. WOODEN. Right at the top of the page.

Mr. FAIRLESS. What is your question?

Mr. WOODEN. I am asking you why you say on that page that the Federal Trade Commission proposes to impose a uniform f. o. b. mill price system with the elimination of freight absorption by law or mandate? You have said, I understood, that you did not know what the Commission proposes.

Mr. FAIRLESS. Well, it is generally understood that that is your theory. Now if it is not we stand corrected, and I would like you to tell me what your theory is—

Mr. WOODEN. I cannot speak for the Commission.

Mr. FAIRLESS. Since we are looking for facts.

Mr. WOODEN. I am not speaking for the Commission; I can only say, and I do say, that the Commission has never taken that position that you say they have taken.

Mr. FAIRLESS. If we are wrong it is one of the many mistakes that we expected to make when we prepared all these articles.

Mr. WOODEN. I am making that statement on the basis of historical fact only, without any regard to what the Commission's position is or may be in the future, but only as to what it has been in the past, and I should like to go into that in another connection a little bit more fully. I am not able to locate it just now—but I want to offer for the record another of the commercial resolutions which orig-

inated under the code with reference to this quoting of prices regarding an identified structure.

Acting Chairman KING. The witness having stated that those resolutions are not of his knowledge, there would be no objection to offering it, and if Mr. Fairless wishes to make comment on it later, he will have the opportunity.

Mr. WOODEN. I can't locate it right now.

Mr. BALLINGER. From the testimony read here into the record pertaining to the Pittsburgh plus case, there have been periods in the steel industry with respect to certain products when they did have an f. o. b. mill system, did they not, on certain products? Have you not sold products at the mill?

Mr. FAIRLESS. That is right.

Mr. BALLINGER. Well, the industry did not go to pieces, did it, under that system? I mean there was no great catastrophe and calamity?

Mr. FAIRLESS. Well, Mr. Ballinger, my reply to that would be that you can't judge the entire steel industry by one or more of its products.

Mr. BALLINGER. Well, I am taking a product like pig iron. It took you from 1870 to 1934 to decide you needed a basing point in that product, did it not?

Mr. FAIRLESS. Distribution of pig iron, of course, is not nearly as widely spread as steel products. Pig iron normally is produced for use by the producer.

Mr. BALLINGER. That is all.

Acting Chairman KING. Judge, have you any other questions of the witness?

Mr. WOODEN. I think not.

Acting Chairman KING. Have you any observations to make, Mr. Fairless, or Mr. Adams? Judge Miller, have you any questions to ask?

Mr. MILLER. No; I have no questions.

Mr. FAIRLESS. In respect to the letter that will be submitted subject to identification tomorrow, the letter does not refer to U. S. Steel Corporation; it was not written or received by anyone connected with our company, and I wish to leave the observation with the committee that we know nothing about it and are not prepared to comment upon it or discuss it.

Mr. O'CONNELL. It is intended that it will be offered for the record tomorrow so it can be identified, and that is all you care to say in connection with it?

Mr. MILLER. I don't think I can add anything, except to express the appreciation of all of us of the very great courtesy that has been extended to us by the chairman and by every member of the committee and by counsel.

Acting Chairman KING. All the committee desires is to have the representatives of the Government or the others present such facts as they deem relevant and material and we are very patient, and I hope intelligent, listeners. Is that all for today?

Mr. WOODEN. I want to identify some papers, but could do it tomorrow morning.

Acting Chairman KING. The committee will stand adjourned until 10:30 tomorrow morning.

(Whereupon at 3:45 p. m. the committee stood in recess until 10:30 Tuesday morning.)

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

TUESDAY, JANUARY 30, 1940

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 11 a. m., pursuant to adjournment on Monday, January 29, 1940, in the Caucus Room, Senate Office Building, Senator Joseph C. O'Mahoney, Wyoming, the chairman, presiding.

Present: Senators O'Mahoney (chairman) and King; Representative Williams; Messrs. O'Connell and Hinrichs.

Present also: Willis J. Ballinger, Director of Studies for the Federal Trade Commission, Walter B. Wooden, Assistant Chief Counsel, and Hugh E. White, economist, representing the Federal Trade Commission.

The CHAIRMAN. The committee will come to order. You may proceed, Judge Wooden.

Mr. WOODEN. Mr. Chairman, I should like to call to the witness stand Mr. A. A. Dorenbusch.

The CHAIRMAN. Do you solemnly swear that the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DORENBUSCH. I do.

TESTIMONY OF A. A. DORENBUSCH, GENERAL SALES MANAGER, NEWPORT ROLLING MILL CO., NEWPORT, KY.

Mr. WOODEN. Your name, I believe, is A. A. Dorenbusch.

Mr. DORENBUSCH. That is right.

Mr. WOODEN. And where do you live?

Mr. DORENBUSCH. I live in Newport, Ky.

Mr. WOODEN. What is your business?

Mr. DORENBUSCH. Steel business, rolling of sheets.

Mr. WOODEN. With what company are you connected?

Mr. DORENBUSCH. The Newport Rolling Mill Co.

Mr. WOODEN. Is there some affiliated company also?

Mr. DORENBUSCH. We have the Andrews Steel Co., which is really the parent company of our business, which produces the raw steel. We in turn roll the sheets, but it is all one company.

Mr. WOODEN. What are the products produced by the Newport Rolling Mill Co.?

Mr. DORENBUSCH. They are principally sheets. In fact, the Newport Rolling Mill Co. produces nothing but sheet steel.

Mr. WOODEN. Is there any particular kind of sheets or various kinds?

Mr. DORENBUSCH. Well, of course we start with what is known as ordinary hot rolled sheets and any subsequent treatment that they get produces different grades, pickled sheets, galvanized sheets; we make electrical sheets, sheets that are known to the trade as galvanized; long ternes.

Mr. WOODEN. What is your position with the company?

Mr. DORENBUSCH. General sales manager.

Mr. WOODEN. How long have you held that position?

Mr. DORENBUSCH. I have held that position about 12 years, although I have been with the company for 25 years.

Mr. WOODEN. Do you have a Mr. A. K. Andrews who is connected with the company? And if so, what is his connection?

Mr. DORENBUSCH. Mr. A. K. Andrews is the president of the Newport Rolling Mill Co.

Mr. WOODEN. Who are the principal competitors of the Newport Rolling Mill Co.?

Mr. DORENBUSCH. Well, I would say that everyone in the steel sheet business was a competitor of the Newport Rolling Mill Co., because of the diversified line of our products.

Mr. WOODEN. Who are your competitors on galvanized sheets?

Mr. DORENBUSCH. Well, there would be Carnegie Illinois, Continental, Wheeling, Inland, Great Lakes, Jones & Laughlin.

Mr. WOODEN. Weirton?

Mr. DORENBUSCH. Weirton. All galvanized sheet producers. I don't know whether I have named all of them or not, but those are the principal ones.

Mr. WOODEN. Does your Newport Rolling Mill Co. sell galvanized sheets over a wide territory, and if so, what?

Mr. DORENBUSCH. Yes, we sell galvanized sheets most anywhere in the United States.

Mr. WOODEN. You mean you actually carry on business throughout the country on galvanized sheets?

Mr. DORENBUSCH. We do. That's right, sir.

Mr. WOODEN. Referring to a copy of a letter dated August 17, 1935, addressed to Mr. A. K. Andrews, Footes Bay, Ontario, Canada, and bearing the initials at the lower left-hand corner of A. A. D., did you write the letter of which that is a copy?

Mr. DORENBUSCH. Yes, I did write the letter.

Mr. WOODEN. And Mr. Andrews, I believe you said, was president of the company, your company?

Mr. DORENBUSCH. He is president of our company; yes, sir.

Mr. WOODEN. At the time the letter was written was he on vacation?

Mr. DORENBUSCH. Apparently he was on vacation at his home in Canada, his summer home.

Mr. WOODEN. Mr. Chairman, I would like to offer the letter in evidence.

The CHAIRMAN. The letter may be received.

(The letter referred to was marked "Exhibit No. 2214" and is included in the appendix on p. 14506.)

PRICE DISCUSSIONS AMONG COMPETITORS

Mr. WOODEN. I should like to read it for the information of the committee. The letter was written by the witness under date of August 17, 1935.

Mr. A. K. ANDREWS,
Footes Bay, Ontario, Canada.

DEAR Mr. A. K.: It was not definitely decided until late last evening to put into effect for fourth quarter a one-price policy allowing the galvanized sheet price to remain at \$3.10 per 100 lb. for No. 24 gauge base f. o. b. Pittsburgh. A few of the larger interests such as Weirton and Inland were in favor of reducing the price to \$3 base for No. 24 gauge f. o. b. Pittsburgh but this was finally defeated and it was agreed to allow all prices to remain the same as now in effect.

The announcement of no further jobber allowance after October 1 will be made by Continental on Tuesday of next week after which all mills can announce likewise. We, of course, in the meantime will notify our people which no doubt will be conducive of causing an influx of jobber business for shipment prior to October 1st.

"It is my intention to discuss this with Mr. Little this morning so that we will be prepared to take care of the rush that we like others will no doubt have during the month of September.

"I discussed the automotive situation with Neil Flora last evening and he informed me that while some little tonnage was placed several weeks ago, nothing more has been done and that all the mills are holding firmly to their prices and are expecting that additional tonnages will have to be placed soon."

May I digress there and ask you, Mr. Dorenbusch, who was Neil Flora?

Mr. DORENBUSCH. Mr. Flora is the secretary of the National Association of Flat Rolled Steel Manufacturers.

Mr. WOODEN. Including galvanized sheets?

Mr. DORENBUSCH. Yes, that would include galvanized sheets.

Mr. WOODEN. And where was he located?

Mr. DORENBUSCH. In Pittsburgh.

Mr. WOODEN. I continue with the letter:

I find that our tonnage booked up to last night (Friday) amounted to 2812 tons and this morning's mail brought several additional cars so we are hoping at least to have 3000 tons for this week.

Do hope that your stay in Canada will be pleasant and that you will be greatly benefitted by your vacation.

Sincerely yours,

AAD:GRK.

That is all I wish to ask this witness.

Mr. O'CONNELL. I should like to ask a question or two. Mr. Dorenbusch, you say in the letter that "it was not definitely decided until late last night to put into effect for fourth quarter a one price policy." By whom was it not decided?

Mr. DORENBUSCH. By whom was it not decided?

Mr. O'CONNELL. By whom was it decided the night before?

Mr. DORENBUSCH. Well, naturally, of course, when there is a contemplated change in price which had been talked of in all our trade papers, and so forth, and we were naturally interested in the announcement of whatever quarter prices that was, we were in conference among ourselves at the office trying to determine from various sources around through our different offices what information they might be able to gather on the streets, and so forth, as to when the price would be put into effect and what it would be.

Mr. O'CONNELL. That doesn't really answer my question, does it?

Mr. DORENBUSCH. I am sorry.

Mr. O'CONNELL. By whom was it decided?

Mr. DORENBUSCH. It was decided by our people, our meeting at home.

Mr. O'CONNELL. You mean a meeting at which your company only was represented?

Mr. DORENBUSCH. Yes, our inner company.

Mr. O'CONNELL. The next sentence says, "A few of the larger interests such as Weirton and Inland were in favor of reducing the price to \$3 base but this was finally defeated and it was agreed to allow all prices to remain the same as now in effect."

Could you elaborate a little on what you meant by that?

Mr. DORENBUSCH. We may get information, of course. For instance, our Chicago representative may be in touch with the various offices of the various other companies and get their viewpoint and get information like this which flows very freely at a time when we are looking for this sort of information. So that is where that may have come from.

Mr. O'CONNELL. But the letter says "this was finally defeated and it was agreed to allow all prices to remain the same."

Mr. DORENBUSCH. That word "defeated" may of course be rather ambiguous.

Mr. O'CONNELL. Would you say the word "agreed" was also a little ambiguous? You said it was agreed to let the fourth quarter prices remain the same.

Mr. DORENBUSCH. Yes, that may be, also, putting it in that light.

Mr. O'CONNELL. How did you know that Inland and Weirton wanted to have lower prices?

Mr. DORENBUSCH. Well, that may be common talk on the street. Our district managers in Chicago of course are in touch with these offices and they exchange information as to what they each know.

Mr. O'CONNELL. The next paragraph starts—

The announcement of no further jobber allowance after October 1 will be made by Continental on Tuesday of next week after which all mills can announce likewise.

What did you mean by that?

Mr. DORENBUSCH. We may have picked up that same information, that they were going to announce such a thing and we naturally would follow.

Mr. O'CONNELL. You naturally would follow?

Mr. DORENBUSCH. Well, yes, that is about the only system we have, being located as we are down in Kentucky. We are too small to lead.

Mr. O'CONNELL. But at this time you knew that the following Tuesday Continental was going to announce no further jobber discounts, and that all other mills, including your own, would adopt a similar practice at the same time.

Mr. DORENBUSCH. Yes; we may have picked that information up.

Mr. O'CONNELL. How would you pick that information up?

Mr. DORENBUSCH. Well, if our men in the field would hear that that was the case, that they were going to discontinue it, and others would also, they would convey it to us, of course, and then also the trade papers usually carry information to that effect.

The CHAIRMAN. May I suggest that that is a conditional answer. The question has to do with the facts as they existed.

Mr. DORENBUSCH. Well, the facts would be the same, as I see it. That is, the means we have of getting that information, of course, is just through contact and asking questions.

The CHAIRMAN. Of course your letter is very definite, there is nothing conditional about it at all. "The announcement of no further

jobber allowance after October 1 will be made by Continental on Tuesday of next week after which all mills can announce likewise." Now that sentence indicates specific knowledge, not only as to what Continental is to do, but as to the date, the precise day on which is is going to do it. Now do you want the committee to understand that you just picked this up out of the air in some vague manner, but then when you wrote your letter conveyed it to the person to whom you were writing as a clear and definite statement?

Mr. DORENBUSCH. Well, we may have determined that at the time by getting some information.

The CHAIRMAN. You say you may have. Did you or did you not?

Mr. DORENBUSCH. Of course I don't just remember the exact details. That has been so long ago that I just don't know.

Mr. WOODEN. You say, Mr. Dorenbusch, that after Continental announced withdrawal of jobber allowances the following Tuesday, that other mills, all mills can announce likewise. Couldn't they do it before?

Mr. DORENBUSCH. Oh, they probably could, yes, but of course they all try to be competitive.

Mr. WOODEN. What do you mean by being competitive, having the same policy at the same time and changing it at the same time?

Mr. DORENBUSCH. Not necessarily the same time, I think.

We never know the detail of these things until we see them published and then we do follow them.

Mr. WOODEN. Where was it you discussed the automotive situation with Mr. Neil Flora?

Mr. DORENBUSCH. I discussed that over the telephone, no doubt.

Mr. WOODEN. Didn't you get the information over the telephone from Mr. Flora that you put into this letter?

Mr. DORENBUSCH. You mean about the automotive situation?

Mr. WOODEN. No, about the first paragraph, about leaving prices unchanged.

Mr. DORENBUSCH. No; I don't suppose I got that from him.

Mr. WOODEN. You don't suppose?

Mr. DORENBUSCH. Well, I never discussed prices with Mr. Flora.

Mr. WOODEN. You say in your letter that you discussed prices with him about the automotive situation and he advised you that the mills were all holding firmly to prices.

Mr. DORENBUSCH. I don't believe that letter says that I discussed the prices in the automotive industry; I discussed the automotive industry with him and that may be with regard to tonnages that had been placed.

Mr. WOODEN. You say that Mr. Flora told you that all the mills are holding firmly to their prices.

Mr. DORENBUSCH. Well, he may have. There may have been a specific instance that I would have had at that time where one of the automobile buyers would have said to either our salesman or to me that they had placed a certain piece of business at a certain price, and in that event I may have asked Mr. Flora if he knew anything about it. Naturally we seek that information, and he is closer to the heart of the industry than we are down our way. I may have asked him that.

Mr. WOODEN. Do you mean that when you get a report of a cut price that you take it up with Mr. Flora to find out whether he can verify it or not?

Mr. DORENBUSCH. No; I don't mean that. I mean that in seeking or casting about for information of that kind, if there had been a definite sale made I may ask Mr. Flora if he had heard anything about it and as he did in this instance, according to that letter, he told me that he hadn't heard anything about it, that everything was all right.

Senator KING. Was the N. R. A. in force at that time?

Mr. WOODEN. No; N. R. A. went out with the Schechter decision on May 27, 1935. This was nearly 3 months later.

Mr. O'CONNELL. A few moments ago you indicated in discussing this question of the withdrawal of jobber allowances, that of course your company had to be competitive. I take it that a withdrawal of jobber allowances is in effect a price increase, isn't it?

Mr. DORENBUSCH. Well, it may mean a greater return to the mill, that is right.

Mr. O'CONNELL. That would mean a price increase. Is it your conception of competition that whatever one of your competitors increases prices that you, in order to be competitive, have likewise to increase your prices?

Mr. DORENBUSCH. Yes; we do, because we are so small down there that we certainly couldn't get a higher——

Mr. O'CONNELL (interposing). You are so small that you can't be competitive.

Mr. DORENBUSCH. Well, no; we wouldn't get a higher price.

Mr. O'CONNELL. In this case you followed on a price increase. Had you not followed Continental you would have been selling at a lower price.

Mr. DORENBUSCH. That is right.

Mr. O'CONNELL. Would that not have been competitive?

Mr. DORENBUSCH. I don't get the question.

Mr. O'CONNELL. Wouldn't that have been competitive to sell at a lower price? You indicated that it was competition that required you to some extent at least to follow Continental on the way up on the price increase. Would you not have been competitive had you either reduced your prices or kept them lower than Continental prices after this increase?

Mr. DORENBUSCH. I don't think so.

Mr. O'CONNELL. You don't?

Mr. DORENBUSCH. No.

Mr. O'CONNELL. Then competition to your mind is following someone else's prices.

Mr. DORENBUSCH. Well, that is the system that is in effect.

Mr. O'CONNELL. I know, I understand that is the system that is in effect, I have no doubt of that, but you used that system as being synonymous with competition and I was curious to get your idea of what competition involved.

Mr. DORENBUSCH. Well, I just don't quite get you, I guess.

Mr. O'CONNELL. No; I think we are pretty far apart on competition.

The CHAIRMAN. It might be a very practical question so far as you are concerned. Let me ask you, do you believe that competitors should be permitted to consult with one another with respect to the

price to be charged the public for the goods the competitors both produce?

Mr. DORENBUSCH. No; I don't think so.

The CHAIRMAN. You don't think that they should be permitted to confer with one another and find out what prices are likely to be, for example?

Mr. DORENBUSCH. Well, it may be my own personal opinion that it would be all right to confer on it, but not to agree on a price.

The CHAIRMAN. Well, has it been the practice, so far as your experience goes, for competitors to confer?

Mr. DORENBUSCH. No; it never has. I never have conferred with any of our competitors.

The CHAIRMAN. But you have attempted to find out what your competitors are going to do?

Mr. DORENBUSCH. Very definitely; yes, sir.

The CHAIRMAN. And how do you do that?

Mr. DORENBUSCH. Well, by contacts on the street. We have certain customers, of course, that have been loyal to us for years, that when they are approached by another company and led to believe there is going to be a change in price this way or the other, they will pass the information on to us quite readily. We also get it through contacts of our salesmen on the street.

The CHAIRMAN. Well, do you ever get it by conferences with the heads of other firms and companies?

Mr. DORENBUSCH. No, sir.

The CHAIRMAN. Who was this Mr. Flora that you mentioned?

Mr. DORENBUSCH. Mr. Flora, as I mentioned a while ago, is the Secretary of the National Association of Flat Rolled Steel Manufacturers, which takes in sheets, of course; that is a flat-rolled product.

The CHAIRMAN. Well, you wouldn't object to conferring with a man holding such a position with respect to prices?

Mr. DORENBUSCH. Well, I never have. I've never conferred with him on prices, only that I may ask him if he had heard of anything of any lower—any business being placed at lower prices, where I had information of a specific order having been placed at a price.

The CHAIRMAN. Now do I understand that you want the committee to get the impression, from your testimony, that the conference to which your first paragraph in this letter refers, was a conference solely of your own officials and employees?

Mr. DORENBUSCH. That's right.

Senator KING. Let me ask the judge a question: Judge, didn't the Supreme Court of the United States, in the *Sugar Institute case*, say that there was no objection to meeting and conferring if they didn't fix prices? They could exchange their views.

Mr. WOODEN. I think that's been the opinion of the Supreme Court in other cases, particularly the *Cement* and *Michigan Hardwood cases*, going back prior to the *Sugar Institute case*. In the *Sugar Institute case* a basing-point system was involved, and the Supreme Court allowed the injunction of the lower court to stand against it.

Senator KING. The case to which I have just invited attention has not been overruled by the Supreme Court. That is the law now, isn't it, so far as the Supreme Court of the United States may announce what the law is?

Mr. WOODEN. So far as I know, the mere conference in itself may not constitute an agreement. It may be evidence, however, from which an agreement may be inferred with other circumstances.

Senator KING. The point I am trying to get at, the Supreme Court of the United States—persons engaged in the manufacture of shoes or linens or tobacco or anything else may confer, exchange views, but they may not fix prices.

Mr. WOODEN. I think that's—

Senator KING (interposing). May not enter into an agreement for the fixing of prices, but may exchange views with respect to the industry and its condition, and probably the demand in the industry.

Mr. WOODEN. I think that was announced by the Court in the *Cement case* and *Michigan Hardwood case*, back in 1925, both decided on the same day.

The CHAIRMAN. In these particular questions which I am directing to the witness now, I am not trying to imply that there was any violation of the law or that the witness or his company was doing anything which has been condemned by the law, or whether as a matter of fact there was any violation at all. I am just curious to know how the price fixing—and I am using that now merely in the sense of determining—the price-determining arrangement actually works. Now you tell us that you were referring solely to a meeting of your own employees and associates. It is difficult for me, therefore, to interpret this first paragraph which I will read for you again:

It was not definitely decided until late last evening to put into effect for fourth quarter a one price policy allowing the galvanized sheet price to remain at \$3.10 per 100 lb. for No. 24 gauge base f. o. b. Pittsburgh. A few of the larger interests such as Weirton and Inland were in favor of reducing the price to \$3 base for No. 24 gauge f. o. b. Pittsburgh but this was finally defeated and it was agreed to allow all prices to remain the same as now in effect.

Now would a person reading that paragraph not be justified in inferring that a few of the larger interests were represented at the meeting where the decision was reached?

Mr. DORENBUSCH. Well, it may give you the inference, of course, but just where we got that information, as I say, gathered here, there, and other places, why—

The CHAIRMAN (interposing). But you are telling us that they were not represented at that meeting?

Mr. DORENBUSCH. Not at our meeting; no, definitely not.

The CHAIRMAN. And you are telling us that it was not your intention at that meeting to decide upon a price which had already been discussed and agreed upon by other competing companies?

Mr. DORENBUSCH. Will you repeat that? I didn't get that.

The CHAIRMAN. Well, at the time you wrote this letter, did you know what the other companies were going to do with respect to price?

Mr. DORENBUSCH. Well, we evidently did from the tone of things there.

The CHAIRMAN. And did you know that merely because you picked it up on the street corner, or because you had pretty good official information from the executives of your competitors?

Mr. DORENBUSCH. No; we didn't have that sort of information from the executives of our competitors.

The CHAIRMAN. Well now, what sort of information did you have actually? You see, what I am trying to do is find out how you came to this conclusion. There is no question of law violation involved, and I am not trying to trap you. I am just trying to find out how this system worked, in order to make clear in my own mind how it ought to work.

Mr. DORENBUSCH. Well, I don't know exactly how I got the information. I recall the letter and I get your inference there all right, but just how we got it, through our various offices or men, through their contacts, where it may have been let out here, there, and the other place. Whenever a price is ready to be announced, really before it is announced, usually some of the men on the street or in these various offices are out with it ahead of time and they pass it on to customers and in that way our men pick it up, and naturally they convey it to us immediately.

Mr. WOODEN. Mr. Dorenbusch—

The CHAIRMAN (interposing). Mr. Wooden, would you permit me?

Mr. WOODEN. I beg your pardon.

The CHAIRMAN. Let me read the whole of that last sentence:

A few of the larger interests such as Weirton and Inland were in favor of reducing the price to \$3 basic for #24 gauge f. o. b. Pittsburgh but this was finally defeated and it was agreed to allow all prices to remain the same as now in effect.

Now don't you think that a person reading that sentence would be justified in the inference that there was a debate? Why did you use the word "finally"?

Mr. DORENBUSCH. Well, I don't know.

The CHAIRMAN. Now you are telling me that there was no debate, there was no discussion, and there was no final defeat for anybody?

Mr. DORENBUSCH. Only as we gathered that.

The CHAIRMAN. Where were they defeated and how?

Mr. DORENBUSCH. Well, I don't know that.

The CHAIRMAN. You wrote it.

Mr. DORENBUSCH. I know I wrote it.

The CHAIRMAN. All right.

Mr. WOODEN. Mr. Dorenbusch, can you tell us whether your own men picked this information up on the street late at night? You said that it was not definitely decided until late in the evening. Were they out on the street picking up information late in the evening?

Mr. DORENBUSCH. Our people, they may have heard it the next morning.

Mr. WOODEN. Well, but you said it wasn't decided until "late last evening."

Mr. DORENBUSCH. Yes; I said that.

Mr. WOODEN. Well, now, you wrote the letter the next morning, didn't you?

Mr. DORENBUSCH. That's right.

Mr. WOODEN. Do you now say that you got the information the next morning?

Mr. DORENBUSCH. Yes; probably got it the next morning.

Mr. WOODEN. But you talked to Mr. Neil Flora the evening before?

Mr. DORENBUSCH. No; not necessarily. I may have talked to him that morning.

Mr. WOODEN. Well, you said in the letter that you discussed it with Neil Flora last evening.

Mr. DORENBUSCH. Well, that was on another subject.

Mr. WOODEN. But you said in the same paragraph that Mr. Flora told you that all the mills were holding firmly to their prices.

Mr. DORENBUSCH. Well, of course that is a different subject entirely than involved in the first paragraph.

Mr. WOODEN. Were holding firmly to the prices?

Mr. DORENBUSCH. Prices that were in effect at that time.

Mr. WOODEN. And that's what the paragraph says, that they were going to continue to be held at the same prices instead of being reduced. That's correct, isn't it?

The CHAIRMAN. Any other questions?

Mr. WOODEN. Nothing further.

The CHAIRMAN. You may stand aside. Any other witness?

Mr. WOODEN. It was established yesterday, Mr. Chairman, by testimony, that certain resolutions establishing certain commercial practices with reference to the method of figuring delivered prices had been continued in operation since the code, and that they continued in operation, so far as now shown, down to the present time. Since the code itself, as has been testified, and as is apparent on the face of the code, provided for the incorporation of the basing point system in the code, and since it was shown yesterday that the industry adopted resolutions continuing the fair competition provisions of the code in effect after the *Schechter case*, I think it would be in order to have a copy of the code itself in the record, and I submit one of the publicly printed and distributed copies for that purpose.

The CHAIRMAN. Without objection the code may be received for printing in the record.

(The document referred to was marked "Exhibit No. 2215" and is included in the appendix on pp. 14506-14530.)

The CHAIRMAN. Anything else, Mr. Wooden?

Mr. WOODEN. I should like to call attention to section 4, schedule E of the code which has just gone in evidence, for the provision regarding the method of quoting prices for delivery on an identified structure, where the material was being fabricated in transit. Yesterday I had the impression that it was a separate resolution, but I find it is a part of the code itself and it was shown yesterday that that particular provision continued in effect for quite some time after the code itself was held invalid by the Supreme Court.

I offered yesterday also certain of the commercial resolutions adopted by the Board of Directors¹ which were continued in effect, specifically, according to the testimony, and I should like to offer in supplementaton of those particular resolutions the remaining commercial resolutions that were adopted by the Board of Directors of the American Iron and Steel Institute during the code period.

I make that offer of the other resolutions on the basis of the letter of the United States Steel Corporation vice president, Mr. Olds, which I read into the record, I think on Saturday, to the effect that the Corporation officials knew of no amendments or modifications of those commercial resolutions since June 1935. The volume which I have contains several of the resolutions to which reference was

¹ "Exhibits Nos. 2206, 2207, and 2208," appendix, pp. 14435, 14436 and 14437-14441.

made on the record yesterday and which were received yesterday. I am offering the remainder of the resolutions.

The CHAIRMAN. You are offering them to be filed with the committee?

Mr. WOODEN. To be filed. I should like to make some arrangement by which at least a duplicate may be provided and the original copy retained in the files of the Federal Trade Commission.

The CHAIRMAN. The committee will be very glad to accept that to file with the records.

Mr. WOODEN. I may say the volume contains some so-called commercial regulations which are of the same general nature as the commercial resolutions and adopted under the same auspices.

The CHAIRMAN. Very well.

(The resolutions referred to were marked "Exhibit No. 2216" and are on file with the committee.)

Mr. WOODEN. I should also like to add a small additional portion of the testimony given by W. A. Irvin, president of the United States Steel Corporation, before the Senate Committee on Interstate Commerce in March 1936, just a few lines. It appears on page 607 of the printed record of the hearings before that committee on S. 4055.

The CHAIRMAN. Now you were here yesterday when Mr. Grace was testifying.

Mr. IRVIN. Yes.

The CHAIRMAN. He stated there were occasions when you came into his territory and underbid his base price. Have you any specific examples of that?

Mr. IRVIN. I think I stated this morning that I thought he made that in a rather facetious way. If I thought he intended it I would have resented it very much.

I would like to call Mr. Widmann to the stand.

The CHAIRMAN. Do you solemnly swear that the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WIDMANN. I do.

TESTIMONY OF EDWARD T. WIDMANN, ATTORNEY, FEDERAL TRADE COMMISSION, WASHINGTON, D. C.

Mr. WOODEN. Mr. Widmann, will you state your full name and business?

Mr. WIDMANN. Edward T. Widmann. I am an attorney with the Federal Trade Commission.

Mr. WOODEN. How long have you been there?

Mr. WIDMANN. Since 1934.

Mr. WOODEN. Will you state whether or not you had occasion as part of your official duties of the Commission to make any investigation of conditions in the steel industry?

Mr. WIDMANN. I did.

Mr. WOODEN. When, on what occasion, and under what circumstances?

IDENTICAL BIDS IN THE STEEL INDUSTRY

Mr. WIDMANN. In 1936, the Federal Trade Commission undertook an investigation of identical bids submitted by the steel producers on steel sheet piling, which bids were submitted on piling to be used in certain P. W. A. projects.

Mr. WOODEN. In that connection will you state whether or not you made any examination of the files and records of the American Iron and Steel Institute?

Mr. WIDMANN. I did.

Mr. WOODEN. Did you select and obtain copies of documents from their files?

Mr. WIDMANN. I did.

Mr. WOODEN. I show you certain documents. Will you state what they are?

Mr. WIDMANN. These are copies of certain letters and documents which we obtained from the American Iron and Steel Institute.

The CHAIRMAN. Which who obtained?

Mr. WIDMANN. Which I obtained from the American Iron and Steel Institute.

The CHAIRMAN. In what manner?

Mr. WIDMANN. Pursuant to the investigation which I was making of alleged collusive bidding on steel sheet piling by steel producers.

The CHAIRMAN. Did you get them from their files?

Mr. WIDMANN. Yes.

Mr. WOODEN. Were the copies provided for you there or how were the copies made?

Mr. WIDMANN. Some of the exhibits which we obtained were in the nature of duplicate copies of letters of which they had extra copies. They, the American Iron and Steel Institute, prepared copies of certain other letters concerning which they did not have extra copies in the files. Those copies which they made and submitted to us were, however, compared with the original exhibits.

Mr. WOODEN. Do you vouch for the correctness of the copies that you have identified here?

Mr. WIDMANN. I do.

Mr. WOODEN. I would like to offer them for the record, Mr. Chairman.

The CHAIRMAN. The letters may be received.

Mr. WIDMANN. Letter, dated July 12, 1935, from the American Iron and Steel Institute to the Lukens Steel Co.

(The letter referred to was marked "Exhibit No. 2217" and is included in the appendix on pp. 14530-14532.)

Mr. WIDMANN. A letter, dated July 6, 1935, from J. Frederic Wiese, assistant to vice president of the Lukens Steel Co., to R. K. Keas, Secretary, Traffic Committee, American Iron and Steel Institute.

(The letter referred to was marked "Exhibit No. 2220" and is included in the appendix on p. 14532.)

Mr. WIDMANN. A letter, dated October 15, 1935, from the American Iron and Steel Institute to H. C. Devine, purchasing agent of the St. Louis-Southwestern Railway Lines.

(The letter referred to was marked "Exhibit No. 2221" and is included in the appendix on pp. 14532-14533.)

Mr. WIDMANN. A letter, dated July 18, 1935, from the American Iron and Steel Institute to J. W. Rimmer, vice president of the Boston and Maine Railroad.

(The letter referred to was marked "Exhibit No. 2222" and is included in the appendix on p. 14533.)

Mr. WIDMANN. A letter, dated September 9, 1935, from the American Iron and Steel Institute to the Lockhart Iron and Steel Co.

(The letter referred to was marked "Exhibit No. 2223" and is included in the appendix on p. 14534.)

Mr. WIDMANN. A letter, dated September 4, 1935, from the Lockhart Iron and Steel Co. to R. K. Keas, secretary, Traffic Committee, the American Iron and Steel Institute.

(The letter referred to was marked "Exhibit No. 2225" and is included in the appendix on p. 14535.)

Mr. WIDMANN. A letter, dated January 29, 1934, from the chairman of the traffic committee, Iron and Steel Institute, to S. E. Hackett, chairman, Commercial Committee of the American Iron and Steel Institute.

Mr. WOODEN. I would like to call attention to several pertinent matters in them. I would like to call attention to "Exhibit No. 2226," which is a letter from the chairman of the traffic committee of the Institute, one H. C. Crawford. Is that correct?

Mr. WIDMANN. That is right.

Mr. WOODEN. H. C. C. are the initials—to S. E. Hackett, chairman of the commercial committee of the Institute, written on January 29, 1934, while the code was still in operation. Mr. Crawford states:

The Traffic Committee recommends the passing of a resolution making the use of Tariff No. 2 mandatory in the figuring of prices under the Code. While every effort has been made to figure minimum rates, it is not humanly possible to obtain accuracy in each and every instance, bearing in mind that the half million rates published have been compiled by some hundred and fifty men. As errors are discovered the incorrect rate will be changed, but until the change appears in a supplement to the tariff it is our opinion it should not be used for sales purposes. Certain branches of the industry have for years followed such a practice. We urge that, if possible, it be generally adopted.

The point there I think is clear, that the Institute publication of the freight rates was to remain in effect until a supplement to it was issued making any necessary corrections. In other words, even if a rate were found to be incorrect the incorrect rate as published by the Institute should be used until there was opportunity to change it by a supplement to the tariff of the Institute.

Mr. O'CONNELL. In that connection I take it it is your point that the purpose of doing that was to insure uniformity in that element of price by all steel producers.

Mr. WOODEN. Yes. As a matter of fact, the recitation of the resolution¹ putting into effect these freight tariffs compiled by the Institute so recited, that it was to implement and make effective the calculation of delivered prices which were fixed under the code in the basing-point system, plus all-rail freight to destination. I think it was the testimony of Mr. Fairless that they used the freight book of the Institute during that period. I mean by that period the period of the code, although I believe that they haven't found it necessary to use it, according to his testimony, since.

Mr. O'CONNELL. According to his testimony they did not always use it.

Mr. WOODEN. The record will show; I am not perfectly clear on it myself.

I would like to call attention also to "Exhibit No. 2220," dated July 6, 1935, which is after the code was invalidated, a letter by the

¹ "Exhibit No. 2208," appendix, p. 14437-14441.

Lukens Steel Co. to R. K. Keas, secretary of the traffic committee of the Institute, July 6, 1935. It says:

As you know, we sell Locomotive Firebox and Boiler Steel to most of the railroads in the country. From time to time the Institute has sent us figures representing divisions and mileages incident to quoting the railroads under the provisions of A-8.

A-8 was one of the commercial resolutions.

However, of the total railroads purchasing Lukens' steel a very few have submitted the necessary figures. Can't you possibly furnish us with the figures pertaining to the balance of the railroads? Certainly these figures must be available by this time as the practice of quoting under the stipulations of A-8 has been followed for a good many months.

It is most difficult to figure the proper prices and freight allowances now since the emergency rate became effective.

This is after the code.

So many individual problems come up; for instance, you have furnished us with figures relative to the Chicago & Eastern Illinois Railroad. That tabulation of figures shows a 2¢ switching charge for Dalton, Ill. This means that the balance of the through rate from Coatesville was considered as prorate. Has the emergency charge increased this switching charge by 10% or has that rate remained constant, thereby increasing the prorate by 2¢? Anything you can do for us in this connection will certainly be appreciated.

I merely say that there are other letters among these exhibits relating to the method of figuring freight in the Institute freight-rate book, and which call attention to errors in them and make reference to the necessity or the practice of getting the Institute freight-rate books corrected before the correct rates themselves were used.

Mr. WOODEN. Do you identify these as obtained by you from the same source under similar circumstances?

Mr. WIDMANN. I do.

Mr. WOODEN. I offer them in evidence.

The CHAIRMAN. They may be received.

Mr. WOODEN. The first is a letter, dated November 27, 1935, from Arthur C. Garvey, general traffic manager of the Reading Iron Co., to E. T. Butler, secretary of the Traffic Committee of the American Iron and Steel Institute.

(The letter referred to was marked "Exhibit No. 2228" and is included in the appendix on p. 14536.)

Mr. WOODEN. The next letter, dated December 2, 1935, is from W. H. Gantt, assistant traffic manager of the Bethlehem Steel Co., to E. T. Butler, American Iron and Steel Institute.

(The letter referred to was marked "Exhibit No. 2229" and is included in the appendix on p. 14536.)

Mr. WOODEN. Now "Exhibit No. 2228" is a copy of a letter from the General Traffic Manager of the Reading Iron Co. to E. T. Butler, the secretary of the traffic committee of the Institute, dated November 27, 1935, which is 6 months or more after the code was invalidated. The writer says:

Tariff No. 3 shows LCL rate, Coatesville, Pa. to Albemarle, N. C., 68¢.

In Eastern Points-Carolina Tariff I. C. C. 646, the LCL rate from Coatesville to Albemarle, N. C. is 57.5¢.

You doubtless will desire to have the lower rate published in lieu of the 68¢ rate.

"Exhibit No. 2229" is a letter from W. H. Gantt, assistant traffic manager of the Bethlehem Steel Company, to E. T. Butler, American Iron and Steel Institute, dated December 2, 1935, and saying:

In reply to your letter of November 29th, in connection with which you subjoined a letter from a subscriber with reference to the proper rate on less carload shipments from Coatesville, Pa., to Albemarle, N. C.

The less carload freight rate of 68 cents per 100 pounds, as shown in Institute Freight Tariff No. 3, is in error. The correct basis is 57½ cents. We are taking the necessary steps to have this erroneous rate rectified in next supplement to tariff in question.

In that general connection, I should like to call the committee's attention to one of the findings of fact made by the Federal Trade Commission in the Pittsburgh Plus Case, regarding freight tariffs in use at that time. It is in paragraph 14 (n) of the findings:

The freight tariffs are complicated and oft times there are two or more different freight rates between two points given in the different tariffs. The freight traffic expert's duty under the Pittsburgh plus system is to find the lowest rate existing from Pittsburgh to every consuming point. Different traffic experts might not arrive at the same results, and therefore a uniform freight rate book is absolutely necessary in order that the steel producers may reach absolutely uniform Pittsburgh plus prices.

I have nothing further to ask Mr. Widmann.

The CHAIRMAN. You may stand aside.

Mr. WOODEN. Mr. White.

The CHAIRMAN. Mr. White, you have already been sworn, haven't you?

Mr. WHITE. Yes, Mr. Chairman.

TESTIMONY OF HUGH E. WHITE, FEDERAL TRADE COMMISSION, WASHINGTON, D. C.—Resumed

Mr. WOODEN. Mr. White, in the course of your duties with the Federal Trade Commission did you also have occasion to examine the files of the American Iron and Steel Institute in connection with the same investigation that Mr. Widmann has just testified about?

Mr. WHITE. Yes; I was designated by the Commission as the examiner in charge of that investigation. Together we made the investigation to which Mr. Widmann referred.

Mr. WOODEN. Mr. White, I show you a letter addressed to H. C. Crawford, chairman of the traffic committee of the Bethlehem Steel Co. and ask you to tell us what it is.

Mr. WHITE. It is a copy of a letter, or rather a copy of a copy of a letter which appeared in Investigation File 1-9268, which was secured from the files of the American Iron and Steel Institute on or about April 6, 1936.

Mr. WOODEN. I should like to offer it for the record now.

The CHAIRMAN. It may be received.

(The letter referred to was marked "Exhibit No. 2230" and is included in the appendix on pp. 14536-14537.)

Mr. WOODEN. I should like to direct the committee's attention to the nature of this letter, the substance of it. It is dated April 11, 1935, which was just about a month before the invalidation of the N. R. A. It is a letter from the Youngstown Sheet and Tube Company to H. C. Crawford, chairman of the traffic committee, care of Bethlehem Steel Company.

On February 22 we replied to your letter of February 12 relating to the disposition of fractions in the quoting of delivered prices. This proposal, as we understand it, is concerned only with delivered prices, but in view of the recent development at Canton, Mississippi, we believe that there should be included in this

proposal a ruling to the effect that where it is necessary to name a basing point price for discount purposes, the same rule regarding fractions should apply.

We are sure that your Pipe Department is familiar with the Canton, Mississippi, job, to which we refer. There was involved on a PWA project approximately \$60,000.00 of pipe, on which all bidders named a uniform delivered price, decimals being carried in two places, in accordance with usual practice.

It was necessary to name a basing point price for discount purposes, and two concerns carried the basing point price to three places, one concern, however, making a mistake in figuring the price, but the successful bidder, which was Republic, has been awarded the business because carrying the basing point price to three places resulted in their bid being 12 cents low—

12 cents low on \$60,000 by using three decimal places instead of two.

Unless you include a ruling on basing point price, as well as delivered price, this will no doubt happen again.

Now, Mr. White, I call your attention to a statement that appears in "Exhibit No. 1418" on page 34. The statement on page 34 to which I refer is as follows. It is a statement made by the United States Steel Corporation in its pamphlet. It says in brief that in spite of the tendency toward uniformity or identity of bids on Government business, identical bids on governmental contracts are by no means the general rule.

An examination of records covering Federal Government awards for steel products made at Washington, D. C., during 1938 and the first quarter of 1939, indicates that such awards aggregated approximately \$10,550,000, of which about 80 per cent in value went to the lowest bidder and only about 16.5 per cent in value by lot on account of identical bids. The balance of 3.5 per cent was awarded on a basis other than price.

Mr. White, have you analyzed the underlying data which the Corporation provided and submitted as the basis for that statement which I have just read?

Mr. WHITE. I have, and I think by way of explanation it should be said that those data were submitted in two volumes, one for the year 1938, which appears in the record as "Exhibit No. 2211," and those contained in another volume, captioned "Government Tonnage Record, First Quarter, 1939," and appearing in the record under "Exhibit No. 2210."

We have examined these data and in order to make absolutely certain that no errors occurred in the amounts, we balanced the pages of each of the exhibits, treated the years separately, and then treated them in their entirety.

Mr. WOODEN. Will you state the results of your analysis?

Mr. WHITE. Let me say first it was observed that there were a number of commodities here which were recognized as being other than steel products. I believe the statement to which you referred in "Exhibit No. 1418," page 34, referred to or mentioned only steel and products of steel.

Mr. WOODEN. The statement on page 34 is as to steel products.

Mr. WHITE. First it was noticed that there were a considerable number of other than steel products, among them being such commodities as cement and various others which were clearly distinguishable from steel.

Next it was observed that there were a considerable number of bidders who were not listed in the Iron and Steel Works Directory of the United States and Canada, published by the Iron and Steel Institute as steel producers. We first indicated by symbols, in order to bring these different categories together, those that were producers

of rolled steel and those that were not, then we segregated the commodities that were recognized as rolled-steel products and those that were not, and again segregated commodities that were products of these rolled forms. All of that has been expressed in tabular form on the sheets which you have before you.

Mr. WOODEN. I would suggest, Mr. Chairman, that the tabulation made by Mr. White, to which he refers, be admitted to the record, and that the Steel Corporation have an opportunity to examine it.

The CHAIRMAN. It may be admitted.

(The tabulation referred to was marked "Exhibit No. 2231" and is included in the appendix on p. 14538.)

Mr. WOODEN. Will you proceed, Mr. White, with your statement of the results of your analysis?

Mr. WHITE. The tabulation which has just been received is made by using the same measurements that the Corporation used, that is the volume of business in dollars and cents. I have a memorandum here which for brevity might be offered for the record, showing the number—or rather the percentage—of the total rolled products on which bids were made by producers of those forms which were alike and on which award was made by lot, and the percentage which were unlike.

Mr. WOODEN. Mr. White, the figures given in the Corporation pamphlet, "Exhibit No. 1418," show the total of \$10,550,000 for steel products. What was the total amount of rolling mill steel products that you were able to find in the underlying material that the Corporation submitted?

Mr. WHITE. The total value of the rolling mill products, both years, was \$4,193,926.55.

Mr. WOODEN. Were you able to account for the remainder of \$6,000,000 in the \$10,550,000 figure?

Mr. WHITE. No; I didn't recognize any additional items as being in the form of rolling mill products.

Mr. WOODEN. Do the underlying data contain, however, a number of other steel products than rolling mill products?

Mr. WHITE. Yes; the aggregate amount of which is shown as \$16,080,635.26.

Mr. WOODEN. What kind of products are included other than rolling mill products that you found in this tabulation?

Mr. WHITE. Well, there are large quantities of armor plate, which to the best of my information is rather a forged product than a rolled product. Then there are car wheels, or truck wheels—I have forgotten just exactly how they are expressed—which may be rolled by a different process than the rolling mill. Then there are, I believe, listed cranes and cable; cable especially is made in a large variety of forms, and where the cable was not distinctly recognized as copper cable, of which there is a considerable quantity, that was put into the category of steel products, without any definite knowledge whether they were entirely steel or cable with a steel center.

Mr. WOODEN. You mean you put them in your analysis?

Mr. WHITE. Yes.

Mr. WOODEN. In other words, you gave the Corporation the benefit of the doubt on that point?

Mr. WHITE. Yes. I might say in that respect, too, that the symbols here have been carried throughout the tabulation so if it is desired to check them it may be done.

Mr. WOODEN. Do I understand, then, that you can find in this underlying data only some four million dollars' worth of rolling mill products as against the \$10,550,000 stated on page 34 of "Exhibit No. 1418"?

Mr. WHITE. Yes; something less than four and a quarter millions.

Mr. WOODEN. Now did your analysis go to the point of ascertaining the percentage of identical bids on the rolling mill products, considered separately?

Mr. WHITE. Yes, sir. They are not shown on the tabulation, but in a separate memorandum here which is somewhat detailed.

Mr. WOODEN. I would suggest, Mr. Chairman, that this separate tabulation, to which Mr. White refers, be admitted to the record.

The CHAIRMAN. It may be admitted.

(The tabulation referred to was marked "Exhibit No. 2232" and is included in the appendix on p. 14539.)

Mr. WOODEN. Will you proceed to state, Mr. White, what your analysis showed or shows as to the percentage of identical bids on rolling mill products in the underlying data which the Corporation submitted?

Mr. WHITE. Referring first to the rolling mill products and the awards made to producers of those products, the tabulation shows that there were 514 bids, of which 138 were tie bids, or a percentage of 26.85.

Mr. WOODEN. You mean by tie bids that they were identical in every respect?

Mr. WHITE. I am using the language that was used in the tabulation. I assume that's what is meant.

Mr. WOODEN. All right.

Mr. O'CONNELL. You say 514 bids. Do you mean 514 bid openings or that many bids?

Mr. WHITE. There were that many awards.

Mr. O'CONNELL. So that the number of bidders would be many more than that?

Mr. WHITE. Yes, sir.

Mr. WOODEN. You gave the percentage.

Mr. WHITE. Yes, the balance of course were 376, or a percentage of 73.15.

Mr. WOODEN. That is for the producers of rolling mill products?

Mr. WHITE. Yes.

Mr. WOODEN. Now did you analyze separately the underlying data with reference to bids by nonproducers?

Mr. WHITE. Yes. Now these nonproducers, it will be understood, of course, are those that are not specifically listed as producers of rolled steel shown in the Iron & Steel Works Directory of the United States and Canada. The number of awards to nonproducers was 182, of which 16 were tie bids, a percentage of 8.79. The unlike bids were 166, which is a percentage of 91.21. Now taking the total of bids on rolling mill products, we find there were 696, of which 154 or 22.13 percent were tie bids.

Mr. WOODEN. Now what did you find with reference to your analysis of the bids contained in this underlying data for steel products other than rolling mill products?

Mr. WHITE. For all other steel products, number of awards to producers of rolling mill products was 421, of which 55 were tie bids,

or a percentage of 13.06. The number of awards to nonproducers of those products was 784, of which 104 were tie bids, or a percentage of 13.27.

The CHAIRMAN. As I understand this testimony, Mr. Wooden, Mr. White is testifying that he has examined the underlying data prepared by the United States Steel Corporation.¹

Mr. WOODEN. Yes, sir.

The CHAIRMAN. From which whoever prepared this memorandum on the basing point system for the United States Steel Corporation drew the conclusion that [reading]:

an examination of records covering Federal Government awards for steel products made at Washington, D. C., during 1938 and the first quarter of 1939, indicates that such awards aggregated approximately \$10,550,000, of which eighty percent in value went to the lowest bidder and only about 16.5% in value by lot on account of identical bids. The balance of 3.5% was awarded on a basis other than of price.

Mr. WOODEN. That's right.²

The CHAIRMAN. Mr. White's testimony, then, is that this data which he has examined does not appear to support this statement.

Mr. WOODEN. That's correct.

The CHAIRMAN. May I ask whether the Federal Trade Commission has had any of its representatives examine the original data of Governmental awards?

Mr. WOODEN. Not with reference to these particular transactions. The entire data on which Mr. White bases his analysis are the data furnished by the Corporation as the underlying data for its general statement.

The CHAIRMAN. Well, of course, the facts, I suppose, could be easily ascertained by examining the actual awards by the Federal Government.

Mr. WOODEN. It could be, yes.

The CHAIRMAN. That would determine from those awards whether or not there were identical prices in only the proportion indicated in this memorandum.

Mr. WOODEN. Yes.

The CHAIRMAN. It is conceivable to the Chairman that there might be an error in the compilation of this data. There might also be an error in the examination of it, unless Mr. White and the person who prepared the data were in agreement with respect to the meaning of particular figures.

Mr. WOODEN. That's true. Did you make your analysis, Mr. White, on the basis of dollar volume or upon the number of biddings, separate bids and lettings?

Mr. WHITE. The analysis which has been referred to is on the basis of volume entirely.

Mr. WOODEN. In other words, the same basis that the Corporation used?

Mr. WHITE. Yes.

Mr. WOODEN. Dollars and cents?

Mr. WHITE. That's right.

Mr. WOODEN. Is it entirely possible or even probable that a different percentage would be shown if based upon the number of bid

¹ "Exhibits Nos. 2210 and 2211", appendix, pp. 14444-14457 and 14458-14505.

² After necessary corrections were made in Mr. White's testimony upon his recheck of the underlying data it appears that the Corporation's statement just quoted was substantially correct.

invitations rather than upon the value involved in the particular invitations?

Mr. WHITE. A quite different showing on percent, Mr. Wooden. I am a little embarrassed by not having before me the facts in that respect. I thought they had been prepared and were included with these which came up since we arrived here, but they have not apparently.

Mr. WOODEN. Well, can you state from recollection approximately what the difference was?

Mr. WHITE. No; I don't think I should do that, Mr. Wooden. There should be a strictly accurate reply made to that question.

Mr. WOODEN. Can you say whether it was less or more than the percentages shown on the basis of volume?

Mr. WHITE. No; I don't think I should say they are more or less.

Mr. WOODEN. You will have that material soon, will you?

Mr. WHITE. Gladly. It will be ready for submittal this afternoon if it is desired to have it.

Mr. WOODEN. Have you finished with your statement regarding the percentage of awards for these steel products other than rolling mill products?

Mr. WHITE. I think so. I don't think anything can be added to what is already said.

Mr. WOODEN. Can you say whether or not these steel products other than rolling mill products are sold on a basing point system or whether they are sold at delivered prices, or do you know anything about that?

Mr. WHITE. Well, I distinctly recognize one, perhaps more, as being sold on that basis, and I think there are one or two more which I am a little hesitant about specifying.

Mr. WOODEN. Will you state, if you can, how you can account for the fact that the corporation says the value involved in these biddings on steel products is \$10,550,000 approximately, while you were unable to find more than \$4,193,000 of rolling mill products? Where would the difference come in?

Mr. WHITE. Well, their designation, you will notice, their category consists—

Mr. WOODEN (interposing). Page 34¹ refers to steel products only.

Mr. WHITE. Steel products. Well, I undertook to segregate what I recognized as rolling mill products from other steel products, and since there is a total of only a little over four millions of rolling mill products, they must have been referring to fabricated products as well.

Mr. WOODEN. Do you know whether any of these products other than rolling mill products are priced on a basing point system?

Mr. WHITE. No; I don't think I should say that I know that definitely, Mr. Wooden. I suspect some of them are.

Mr. WOODEN. Mr. White, I direct your attention to a statement that appears on page 99 of "Exhibit No. 1418," the corporation's pamphlet on the basing point system, reading as follows:

The capacity of the industry, including reserve capacity, is not more than sufficient to supply the needs of the country during periods of high demand such as 1929, 1937 and the present time.

¹ Of "Exhibit No. 1418."

RELATION OF PRODUCTION TO CAPACITY, 1901-38

Mr. WOODEN. I will ask you if you have made any compilation or showing of the relation of capacity to production, based upon the data supplied by the Corporation itself in "Exhibit No. 1409."

Mr. WHITE. I have.

Mr. WOODEN. Tell us what you did, please.

Mr. WHITE. I plotted the figures with respect to total ingot capacity shown—

Mr. WOODEN. Pardon me, before you do that I would like to direct your attention at the same time to the statement on page 45 of "Exhibit No. 1418," that the total capacity of the industry "includes reserve capacity barely sufficient to supply peak demands."

Mr. WHITE. Well, the best answer to that, Mr. Wooden—

Mr. WOODEN (interposing). Just go ahead with your statement regarding what you did.

Mr. WHITE. I would say that we have plotted total capacity shown in Exhibit 1409, ingot capacity, for the years—

Mr. WOODEN (interposing). Is that for the entire industry?

Mr. WHITE. For the entire industry. It shows both the entire industry, total United States as expressed here, and also United States Steel separately. What I have done is merely to repeat what I notice to be substantially the graph shown in that same exhibit, page 191.

Mr. WOODEN. By same exhibit you mean "Exhibit No. 1409"?

Mr. WHITE. That is correct, and added thereto a production line which is plotted from total ingot production appearing on page 198 of that exhibit.

Mr. WOODEN. I offer for the record this chart entitled "Total ingot capacity, United States (gross tons), years 1901-38."

The CHAIRMAN. It may be admitted.

(The chart referred to was marked "Exhibit No. 2233" and is included in the appendix on facing p. 14539.)

Mr. WOODEN. Now, Mr. White, on the basis of this exhibit can you find any support for the statements in the corporation's pamphlet¹ to which I directed your attention, to the effect that the capacity is not more than sufficient to supply the needs of the country during periods of high demand and that it includes reserve capacity barely sufficient to supply peak demands?

Mr. WHITE. Assuming the needs of the country to be the production, or the amount produced, I can't find a basis for the statement.

Mr. WOODEN. Take the year 1929, to which the corporation refers, what was the approximate percentage relation of production to capacity in that year?

Mr. WHITE. I haven't the result expressed in percentages, Mr. Wooden.

Mr. WOODEN. Well, the chart shows that it was a fairly substantial amount below the capacity, does it not?

Mr. WHITE. Yes; somewhat.

Mr. WOODEN. The percentage could be worked out from the underlying figures, could they not?

Mr. WHITE. Somewhat less.

¹ "Exhibit No. 1418."

Mr. WOODEN. What about 1937, to which the corporation also refers as saying that the capacity is not more than sufficient to supply the needs of the country during 1937?

Mr. WHITE. That shows there was a considerable excess.

Mr. WOODEN. Much more than 1929?

Mr. WHITE. A production of approximately 52,000,000 tons whereas the capacity was in excess of 70,000,000.

Mr. WOODEN. Does this chart show any periods when the capacity of the United States Steel Corporation alone was equal to supplying the entire demand or production at certain periods?

Mr. WHITE. Yes; it shows five occasions in which that might be so.

Mr. WOODEN. What were those years?

Mr. WHITE. 1908, 1921, 1932, '33, and '34.

The CHAIRMAN. In other words, during the entire period from 1901-38 the capacity of the United States Steel Corporation by this exhibit is shown with the exception of these years which you have just mentioned to have been considerably less than the actual total production of the United States during those periods.

Mr. WHITE. That is true.

The CHAIRMAN. It is also to be observed from this exhibit that in 1901, the United States Steel capacity was slightly under 10 and the total capacity of the United States was slightly over 20, so that at that time in 1901, United States Steel's capacity was approximately 50 percent of the total capacity of the United States, and that that proportion remained somewhat stable until about 1907 or 1908 and that since that time the total capacity of the United States has grown much more rapidly than the capacity of the steel corporation. That is correct, is it not?

Mr. WHITE. Yes, sir.

The CHAIRMAN. So that today the United States Steel Corporation has the power to produce a considerably smaller proportion of the output than the United States as a whole can produce.

Mr. WHITE. That is true, there has been a declining percentage.

The CHAIRMAN. And in these years of 1927, '28 and '29, and in 1936 and '37, the total production of the United States was apparently approximately twice as great as the capacity of the United States Steel Corporation.

Mr. WHITE. Yes; more than that. It will probably be noticed in this graph that there has been a continuous increase from 1901 to 1938 in the total capacity of the country with the exception of the year 1926. Now it may be worth noting that there is an explanation contained on page 191 of "Exhibit No. 1409" which says that that was due to a readjustment of capacity data by the American Iron and Steel Institute rather than an abandonment of facilities to produce steel. That statement was corroborated by the press and it is pretty well known what happened at that time. There was a committee of the American Iron and Steel Institute appointed to survey or resurvey the total ingot capacity, with the result that there was a temporary reduction shown here in 1926.

Mr. WOODEN. That showing is for the total ingot capacity. Would there be a different showing if you took it by various products?

Mr. WHITE. This showing is only as to ingots of which the rolled products are made.

Mr. WOODEN. Have you made any study of the situation regarding excess capacity as to any particular product, rolling mill product?

Mr. WHITE. Yes.

Mr. WOODEN. What?

Mr. WHITE. On hot rolled sheets and hot rolled strip.

Mr. WOODEN. Will you state what you did in that connection?

Mr. WHITE. I have listed the capacities of the producers of hot-rolled sheets and hot-rolled strip, 16 of them individually, showing each capacity for sheets and strip and the total as given in the American Iron & Steel Works Directory for the United States and Canada published by the American Iron & Steel Institute for the year 1938.

Mr. WOODEN. Did you plot the results of that study in chart form, in graph form?

Mr. WHITE. I first compiled the capacities of these 16 producers and—

Mr. WOODEN (interposing). What 16 producers?

Mr. WHITE. Sixteen producers of hot-rolled strip and hot-rolled sheets showing that their capacity for both forms was 12,862,500 gross tons.

The CHAIRMAN. The committee will stand in recess now until 2 o'clock.

(Whereupon, at 12:40 p. m., the committee recessed until 2 p. m. of the same day.)

AFTERNOON SESSION

The hearing was resumed at 2:20 p. m., upon the expiration of the recess.

The CHAIRMAN. Are you ready to proceed, Mr. Wooden?

Mr. WOODEN. Yes, sir.

The CHAIRMAN. The committee will be in order.

TESTIMONY OF HUGH E. WHITE, FEDERAL TRADE COMMISSION, WASHINGTON, D. C.—Resumed

EXCESS CAPACITY IN PRODUCTION OF SHEETS AND HOT-ROLLED STRIP

Mr. WOODEN. Mr. White, when we recessed at noon you were just on the point of making a statement with regard to your study of the conditions as to excess capacity in the production of sheets and hot rolled strip, I believe, is that right?

Mr. WHITE. Yes, sir.

Mr. WOODEN. Will you proceed with your description of what you did and what you found in the course of that study?

Mr. WHITE. I prepared a tabulation showing the total capacities for hot-rolled sheets and hot-rolled strip as shown by the Iron and Steel Works Directory of the United States and Canada, published by the American Iron and Steel Institute for the year 1938. I have also shown the capacities of 16 of those principal producers.

Mr. WOODEN. How many producers in all did you find listed in the directory for the industry?

Mr. WHITE. Fifty-two.

Mr. WOODEN. And what did the figures show for the 16 that you listed?

Mr. WHITE. They showed a combined capacity of 12,862,500 tons for 16 companies and a total capacity of the United States for 52 companies of 14,949,950 tons.

Mr. WOODEN. Do you mean to say that 16 out of 52 companies had a combined capacity that was six-sevenths, approximately, of that of the entire sheet production, sheet and hot-rolled strip production?

Mr. WHITE. That is correct.

Mr. WOODEN. Did you put your figures in the form of a chart or graph?

Mr. WHITE. I did.

Mr. WOODEN. Will you let me have that, please?

Mr. Chairman, I offer for the record a table entitled "Total United States Capacity for the Production of Hot-Rolled Sheet and Hot-Rolled Strip Steel, 1938" and a graph entitled "Total Capacity, United States, for Production of Hot-Rolled Sheet and Hot-Rolled Strip Steel; Annual Capacity of the 16 principal Producers; and Production, United States."

The CHAIRMAN. They may be admitted.

(The table and graph referred to were marked "Exhibits Nos. 2234 and 2235," respectively, and are included in the appendix on pp. 14540 and 14541.)

(Mr. O'Connell assumed the chair.)

Mr. WOODEN. Mr. White, referring to "Exhibits Nos. 2234 and 2235," can you tell me whether those figures show that the 16 principal producers of sheets and hot-rolled strip have a capacity to produce more than twice what was needed during 1938?

Mr. WHITE. That is correct. The tabulation shows production ratio to capacity to have been 45.3 percent. That is of the 16 companies. Total production to total capacity was 39 percent.

Mr. WOODEN. In other words, there was about two and a half times as much capacity to produce sheets and hot-rolled strip as there was need for during 1938. Is that correct?

Mr. WHITE. That is what the figures contained in the Iron and Steel Works Directory and the production figures contained in the annual statistical reports of the American Iron and Steel Institute for 1938 showed.

Acting Chairman O'CONNELL. You refer to need as synonymous with production?

Mr. WOODEN. Yes; I intended to say that, need as shown by the amount of production.

Mr. WOODEN. Now Mr. White, you were unable to state before noon what the results of your analysis of "Exhibits Nos. 2210 and were 2211" were when figured on the basis of number of invitations rather than on the basis of value—total value.

Mr. WHITE. Mr. Wooden, the figures given just before the luncheon adjournment were, I find, for the number of bids received, and not for—

Mr. WOODEN (interposing). You now have it for value, then?

Mr. WHITE. Yes. The percentage of identical bids by the producers of rolled products received on the rolled products was 12.67; that is, column 6 divided by column 2 of the tabulation shows that ratio.

Mr. WOODEN. Do I understand that 12—what was the decimal point figure?

Mr. WHITE. 12.67.

Mr. WOODEN. 12.67 percent of the rolled steel products on a value basis were identical. Is that right?

Mr. WHITE. That is of those bids made by the rolled steel producers.

Acting Chairman O'CONNELL. I am not clear. The 12.67 is that on a basis of value of the commodity or on the basis of number of bids?

Mr. WHITE. That is on the basis of value.

Acting Chairman O'CONNELL. And the figure this morning of 26 point something was based on the number of bid openings. Is that correct?

Mr. WHITE. That's correct.

Acting Chairman O'CONNELL. And that in turn is based upon a break-down of the \$10,500,000 figure shown in "Exhibit No. 1418" submitted by the Steel Corporation as showing——

Mr. WHITE (interposing). No, its——

Acting Chairman O'CONNELL. (interposing). Percentage of Government purchases of steel during a given period with purchases——

Mr. WHITE (interposing). That is not quite correct, Mr. Chairman. It was the break-down of data furnished in response to request for data which underlies that statement to which you refer.

Mr. WOODEN. Now Mr. White, I want to bring your attention to a statement made by the corporation in "Exhibit No. 1418" on page 95, to the effect that "the capital investment per ton of steel is high and the annual turnover is relatively low compared with many other industries." Have you made any compilation with reference to the subject of capital investment per ton of steel?

Mr. WHITE. I have made only a limited and rather hurried examination in response to the question asked by Senator King the other day, and from——

Mr. WOODEN (interposing). Will you state what you did and what results you have?

Mr. WHITE. I took the financial analysis of the steel industry for the past 11 years as published in the magazine Steel, various annual issues of the magazine Steel for those years, 1928 to 1938 inclusive, and I selected nine of the companies, or all of those companies having ingot capacity in excess of 1,000,000 tons. This tabulation purports to show the rated ingot capacity of those companies for the respective years, the capitalization per ton of ingot capacity, total earnings per ton of ingot capacity, and percent of total earnings on capitalization. Of course I don't vouch for these figures; they are merely indications and submitted just in response to that question by Senator King.

Acting Chairman O'CONNELL. Can you tell me in a general way what this indicates? The Senator's question was rather general.

Mr. WHITE. The Senator asked, I believe, something about the returns upon——

Acting Chairman O'CONNELL (interposing). About the what?

Mr. WHITE. The percentage of return on invested capital, or upon capitalization rather, and this table purports to show that.

Mr. WOODEN. It shows, does it not, Mr. White, a rather wide variation among the nine principal producers of their capitalization on the basis of per ton ingot capacity?

Mr. WHITE. Yes.

Mr. WOODEN. It shows quite a wide variation on their earnings per ton of ingot capacity, does it not?

Mr. WHITE. It does, with a noticeable difference in rate of return to the rather smaller companies.

Acting Chairman O'CONNELL. Do you wish this offered for the record?

Mr. WOODEN. Yes.

Acting Chairman O'CONNELL. Let it be admitted.

(The tabulation referred to was marked "Exhibit No. 2236" and is included in the appendix on pp. 14542-14543.)

Mr. WOODEN. Now Mr. White, I believe you were connected with the trial of the Pittsburgh Plus case before the Federal Trade Commission. Is that correct?

Mr. WHITE. That is correct.

Mr. WOODEN. Did you make compilations and submit tabulations and graphs in that case?

Mr. WHITE. I did.

Mr. WOODEN. Did you make any study of the manner in which the price load and the cost load, cost of production load in the industry, was distributed in various sections of the country?

Mr. WHITE. I made a limited study to the extent that data, reliable data, were available.

Mr. WOODEN. Will you state what the data were and what you did with them?

COMPARISON OF COSTS AND PRICES AT PITTSBURGH, CHICAGO, AND BIRMINGHAM

Mr. WHITE. The United States Steel Corporation, in response to a request, submitted what purported to be a statement of the relative mill cost figures of certain of the principal forms of rolled steel, that is plates, shapes, bars, and black sheets, for the year 1920, and I think for two months of 1921. Nineteen twenty was a year of rather high production, part of which time the mills were running at practical capacity, some of them at least.

At that time the prices of steel in every part of the country, at least of these forms, except in the Birmingham district, were based upon the Pittsburgh price plus the then current freight rate from Pittsburgh to destination. That was the general situation. The complaint in this Pittsburgh plus case, so-called, grew out of the fact that there was a feeling on the part of some of the western consumers of these products that they were being saddled with an undue proportion of the total burden of steel prices. They based that largely upon the fact that they had some competition in the Chicago district in the shape of a subsidiary company of the International Harvester Co., who as I recall produced about 340,000 tons a year, a proportion of which was used in their own production—about 50 percent it was estimated—and the balance of it was sold to the trade or to their competitors on a Pittsburgh plus basis. That is, the Pittsburgh price plus the equivalent of the freight rate to destination. That, it was thought, gave International Harvester a rather clean-cut advantage over its competitors in that district.

After these figures were received from the United States Steel Corporation, these cost figures, they were put in evidence and I computed

from those figures a table put in as exhibit No. 6852 in that case, a copy of which you have before you, Mr. Wooden, which resolved the production costs of the corporation at the various points on various forms, Pittsburgh, Chicago, and Birmingham, into a net ton price, and resolved that again into a hundredweight base price, the unit basis on which those rolled forms were sold.

From the Pittsburgh base price was subtracted the mill costs of producing bars, and that was found to be \$2 per net ton. From the Pittsburgh plus price on those same forms at Chicago was deducted the production cost at Chicago as shown by the statement furnished by the corporation, and we found there a margin of \$13.80 per ton. The same thing was done with respect to the other forms. Specifically on plates, the margin between production costs and sales prices at Pittsburgh was found to be \$9.60 per net ton, and the spread between the same elements at Chicago was \$17.80 per ton.

(Senator O'Mahoney, resumed the Chair.)

Mr. WOODEN. Is that summed up in the statement that the prices are higher at Chicago although the cost of production at Chicago was lower than at Pittsburgh?

Mr. WHITE. Yes, that is what it means. I have referred to the cost statement which was put in as Commission's Exhibit 6851, which you may want.

Mr. WOODEN. Did you make a chart for use in that case representing graphically the statement that you have just made?

Mr. WHITE. I did.

Mr. WOODEN. Mr. Chairman, I would like to have these three charts in the record.

(The charts referred to were marked "Exhibits Nos. 2237, 2238, and 2239" and are included in the appendix on pp. 14544-14546.)

Mr. WOODEN. You were telling us, Mr. White, about the disproportion between cost and price compared between Pittsburgh and Chicago on what products?

Mr. WHITE. Shapes, plates, bars, and black sheets.

Mr. WOODEN. What about the disproportion between prices and costs at Birmingham compared to Pittsburgh?

Mr. WHITE. The spread between production costs at Birmingham and the Birmingham price was \$8 per ton, on bars.

Mr. WOODEN. Does that mean that the cost at Birmingham was lower but the price higher?

Mr. WHITE. Yes. The net ton mill cost of bars at Birmingham resolved into \$44 per net ton, whereas the cost of the same product at Pittsburgh was \$45. I think it should be noted here that Birmingham at that time had a price that was not the full Pittsburgh price plus the rate to Birmingham on any of these products.

Mr. WOODEN. It was known as the Birmingham differential?

Mr. WHITE. Known as the Birmingham differential.

Mr. WOODEN. That was what, \$3?

Mr. WHITE. Five dollars, as I recall it.

Mr. WOODEN. Mr. Chairman, I would like to state that we have no present information as to the cost of production of any particular product in any particular plant. It is information that is rather jealously guarded by the industry, but I would like to ask Mr. White whether assuming that there are differences in cost of production per

ton on given products today, would the same showing in principle result that you have shown in these exhibits?

Mr. WHITE. Assuming the same differences of cost exist.

Mr. WOODEN. Assuming some differences in cost exist—I am not trying to get you to measure what the situation would be today because you don't have the factors, but if there were some differences in cost today, would this disproportion exist as between the cost and price burden in different sections of the country?

Mr. WHITE. Some difference would exist, but not to this extent because since that time equal base prices have been announced at all of these producing points.

Mr. WOODEN. Was a considerable part of that disproportionate showing referred to in those exhibits the result of so-called phantom freight, in other words adding freight from the basing point when in fact there was no actual freight to be paid?

Mr. WHITE. Yes; of course that was true.

Mr. WOODEN. Would you say that wherever and to whatever extent there is phantom freight added today under the basing point system, consisting of a freight charge where there is no freight or a freight charge that is greater than the actual freight, then you have that same disproportionate distribution of the price and cost burden?

Mr. WHITE. Yes; of course. What I have here is merely illustrating this opportunity under this method of merchandising for somebody arbitrarily to decide as a substitute for competitive processes how much of this burden of total steel prices is to be assessed on any particular part of the country at any point. That is an outstanding fact.

Mr. HINRICHs. Mr. White, I take it that you are indicating that this lack of relationship between cost and price is a possible indication of a lack of competitive price fixing.

Mr. WHITE. That together with some other facts which of course are not shown.

Mr. HINRICHs. Well, have you indicated in the record whether or not Chicago, for example, is a steel export or a steel import market?

Mr. WHITE. That was developed very exhaustively in the Pittsburgh basing case. I might say the defense in that case was that the cost of steel to the Chicago consumer would be the cost of material at Pittsburgh plus the cost of shipping into Chicago. All of that assumption would be nullified by what they did. Numerous shipments were shown out of Chicago to a point halfway between Pittsburgh and Chicago, specifically Cincinnati. It was shown that a certain number of large concerns purchased 95 percent of their requirements from the Corporation and the Corporation put in exhibits showing that in some cases 100 percent of that supply came from Chicago rather than Pittsburgh.

Mr. HINRICHs. Well, that evidence with reference to where goods originate needs to be tied in as you have just done to your discussion of cost and price; does it not?

Mr. WHITE. Yes. All I was attempting to show by these exhibits was the fact as to production cost, relative production cost, and how it illustrates that one who has the power can arbitrarily substitute for the competitive processes his judgment as to how much different sections of the country should pay of the total burden of steel prices.

Mr. WOODEN. I might say that Dr. deChazeau in testifying the other day pointed out that a recent study by the Department of Justice showed that shipments of the same product were being made between Pittsburgh and Chicago, in other words shipments from Pittsburgh to Chicago and shipments by Chicago mills to Pittsburgh of the same product.

I have nothing further to ask Mr. White.

The CHAIRMAN. Do the members of the committee desire to ask Mr. White any additional questions?

(The witness, Mr. White, was excused.)

Mr. WOODEN. I would like to call Mr. Custer for a very short examination.

The CHAIRMAN. Do you solemnly swear that the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth so help you God?

Mr. CUSTER. I do.

**TESTIMONY OF A. B. CUSTER, ADMINISTRATIVE OFFICER,
PURCHASE DIVISION, BUREAU OF SUPPLIES AND ACCOUNTS,
NAVY DEPARTMENT, WASHINGTON, D. C.**

Mr. WOODEN. Will you state your occupation, Mr. Custer?

Mr. CUSTER. Administrative officer in the Purchase Division of the Bureau of Supplies and Accounts, Navy Department.

Mr. WOODEN. How long have you held that position?

Mr. CUSTER. About 20 years.

Mr. WOODEN. In the course of your duties have you had to do with the buying and obtaining of bids on rolled steel products?

Mr. CUSTER. Yes, sir.

Mr. WOODEN. Do you obtain sealed bids on such products?

Mr. CUSTER. All bids are sealed bids.

Mr. WOODEN. Is that required by statute?

Mr. CUSTER. It is required by law.

Mr. WOODEN. I show you two documents. Will you state what they are?

Mr. CUSTER. Those are abstracts of records of bids received in the Bureau of Supplies and Accounts.

Mr. WOODEN. And were they handled under your supervision and in your office?

Mr. CUSTER. They were.

Mr. WOODEN. Will you vouch for the correctness of these papers as representing the bid figures actually received on sealed bids on those two occasions?

Mr. CUSTER. I can.

Mr. WOODEN. I would like to offer the tables for the record.

(Mr. O'Connell assumed the Chair.)

Acting Chairman O'CONNELL. They may be admitted.

(The documents referred to were marked "Exhibits Nos. 2240 and 2241" and are included in the appendix on pp. 14547-14548.)

Mr. WOODEN. Referring to the bid opening of November 19 and which is represented by "Exhibit No. 2240," can you state, Mr. Custer, just so that we get an over-all picture of it, how many bidders participated there and what their bids were? I don't think you have to give many figures.

IDENTICAL BIDS RECEIVED BY THE NAVY DEPARTMENT

Mr. CUSTER. Fifty bidders put in a uniform price of \$45,683.48.

Mr. WOODEN. Were there some bidders who didn't quote exactly that figure?

Mr. CUSTER. There are several exceptions.

Mr. WOODEN. How many?

Mr. CUSTER. Seven, I find.

Mr. WOODEN. Seven out of the number you gave or seven in addition?

Mr. CUSTER. Seven out of the number.

Mr. WOODEN. Now referring to the abstract covering the bids opened May 26, 1936, "Exhibit No. 2241," I believe, how many bidders were there, and what were their bids?

Mr. CUSTER. Thirty-one bidders quoted a uniform price of \$20,-727.26.

Mr. WOODEN. Were there any exceptions to the quoting of that figure?

Mr. CUSTER. There are no exceptions in this list.

Mr. WOODEN. Are these two cases that you have testified about typical? Have you received many bids of a similar nature so far as the degree of identity in the bid price is concerned?

Mr. CUSTER. We have received a number of identical bids. This is comparatively a large list. It is a long list of bidders, longer than the average.

Acting Chairman O'CONNELL. To what use is the type of steel covered in those invitations put, is it armor plate or what is it?

Mr. CUSTER. It is not armor plate, it is for general purposes. Not being a technician, I am not prepared to give you the details.

Acting Chairman O'CONNELL. You say you oftentimes receive identical bids though often not with as many bidders as there indicated. Do you have any general understanding as to how often you receive that type of bids in connection with steel products? We were discussing steel products primarily.

Mr. CUSTER. Including within that group those classes or lots where there are some tie bids and some that are not tie bids, approximately 60 to 70 percent fall in that group.

Acting Chairman O'CONNELL. Sixty to seventy percent of bid openings involving steel?

Mr. CUSTER. Yes.

Acting Chairman O'Connell. And I take it that where you get not all tie bids but where the low bids are tied, you have to resort to that matter of drawing lots, is that the way you make the award?

Mr. CUSTER. That is correct.

Acting Chairman O'CONNELL. In a situation such as appeared in that later bid opening where you had 31 bidders, in that particular case would you merely put the 31 names in a hat and draw out the successful bidder?

Mr. CUSTER. In substance that—we have a system of putting names or numbers in uniform capsules to guard against the possibility of a selection, and then draw from the group.

Mr. HINRICHS. Don't you think it would be more appropriate to use loaded dice against the Treasury?

Mr. CUSTER. We have used other methods of drawing which give exactly the same results as the system of enclosing the names in capsules.

Mr. WOODEN. Mr. Custer, can you tell us whether or not these seven exceptions in "Exhibit No. 2240," seven exceptions from the identity of bids put in by others, includes any producers or whether some of them were jobbers?

Mr. CUSTER. I recognize all, with the possible exception of one as jobbers or dealers.

Mr. WOODEN. Each of the seven, you mean. You recognize each of the seven except possibly one?

Mr. CUSTER. Yes.

Mr. WOODEN. And that one is what?

Mr. CUSTER. The Wheatland Tube Co. is a manufacturer, but I am under the impression that they also handle some materials in the capacity of a dealer.

Representative WILLIAMS. What variation was there in the price of those seven that were exceptions?

Mr. CUSTER. These variations are slightly under the uniform prices bid by the larger group, except in the case of Wheatland Tube.

Acting Chairman O'CONNELL. In that case, then, you did not have to resort to drawing lots, or did you?

Mr. CUSTER. We would not in that case, assuming that the bids were unmodified. If they were responsive to the advertisement, that is, offering material according to specifications it would not be necessary to resort to drawing lots.

Mr. WOODEN. Did you ever have any experience with jobbers who were awarded a contract on the basis of a low bid being unable to furnish you with the goods after you had awarded the contract?

Mr. CUSTER. We have had some experience, but as a general rule the jobbers are able to fulfill the contracts.

Mr. WOODEN. I call your attention to the bid of the Palmer Supply Co., \$45,682.38. How much off is that from the identical bid put in by most of the others?

Mr. CUSTER. \$45,682.38 against \$45,683.48—\$1.10.

Mr. WOODEN. I think there is nothing further I have for Mr. Custer.

Representative WILLIAMS. That was the point I had in mind. What was the range in those prices, what was the difference, whether they were all just practically the same thing or whether there was any material difference in any of them.

Mr. CUSTER. The lowest bid under the group is \$43,188.46 as against \$45,683.48.

Representative WILLIAMS. Well, there would be a right substantial difference.

Mr. CUSTER. That is a substantial difference. This bid of \$45,682.38 is very probably accounted for by adding or dropping fractions. One bidder will add on the half cent, another may drop it off. The unit prices are probably identical. But the other bids, I think, the differences are accounted for otherwise, other than by the adding or dropping of fractions.

Mr. HINRICHS. Mr. Custer, do you handle the bids on commodities other than steel?

Mr. CUSTER. All materials.

Mr. HINRICHS. All materials?

Mr. CUSTER. Yes.

Mr. HINRICHS. Does that include the apparel purchases that are made as well, purchases of apparel?

Mr. CUSTER. Power?

Mr. HINRICHS. Apparel, clothing of one sort or another.

Mr. CUSTER. Yes, sir, it does.

Mr. HINRICHS. Now it's an old economic maxim, of course, that under competitive conditions only a single price can prevail in market at any one time, and that maxim is very frequently misquoted as justifying this kind of identical sealed bid. That is, the single price does in fact prevail, therefore by reference to all authority it becomes apparently competitive. Now in the purchase of clothing, is it your experience that you receive identical bids if you advertise for articles of clothing? Is it common to receive identical bids?

Mr. CUSTER. When you say clothing, there are not a great many articles of clothing purchased. The materials are purchased and made into clothing.

Mr. HINRICHS. Well, let's take the materials. Do you buy cotton textiles?

Mr. CUSTER. Yes.

Mr. HINRICHS. Do you frequently receive an identical bid for cotton textiles?

Mr. CUSTER. That I would answer only from general observation. Over a period of time we do receive identical bids in almost every line of material, which would include textiles.

Mr. HINRICHS. In almost all lines where bids are advertised for?

Mr. CUSTER. At some time or other.

Mr. HINRICHS. Well, now, are those identical bids in a case of that sort apparently the result of chance or the result of—is it customary to have identical bids in cotton, cotton textiles?

Mr. CUSTER. That would be largely a matter of opinion. I would have no way to determining that as a fact. It does appear rather strange that identical bids would appear frequently by chance. That I have no way of verifying or determining.

Mr. HINRICHS. What lines do you expect to find different bids in if you advertise, or do you expect as a matter of course to have the differences only a matter of typographical error?

Mr. CUSTER. Well, from the standpoint of expectation we would expect competitive bids in all lines.

Mr. HINRICHS. Well, but obviously that expectation you have to entertain because it would be a violation of the law; but just as a human being you must have gotten rather used to seeing bids come in in identical form in the case of steel. You say 60 or 70 percent of your cases come in with identical bids. There you would hardly open up an envelope in the normal expectation of seeing different bids.

Mr. CUSTER. We would expect some tie bids generally in steel.

Mr. HINRICHS. And you would expect tie bids in almost every instance where bidding occurs, or are there any lines in which you expect when you look at an envelope, you open the thing with a certain curiosity not to see just what level is being bid but what the differences in bids are.

Mr. CUSTER. That expectation would be present in most any class of steel.

Mr. HINRICHS. Even steel?

Mr. CUSTER. In steel.

Acting Chairman O'CONNELL. What expectation do you mean?

Mr. CUSTER. That there would be tie bids.

Mr. HINRICHS. And in almost any line you would expect to find tie bids, that the majority of the bids would be tie?

Mr. CUSTER. I wouldn't want to say just that. Steel, of course, is an item which is bought for Navy purposes in large quantities and frequently, and it is an item which is more often before the eye. The occasional purchase would not attract much attention. Well, I might mention plumbing fixtures, merely as it comes to mind. I am not in a position to say whether plumbing fixtures would come within the tie bid group or not.

(Senator O'Mahoney resumed the Chair.)

Mr. HINRICHS. They very well might. Do you ever buy socks?

Mr. CUSTER. Yes.

Mr. HINRICHS. Do those ordinarily come to you as tie bids?

Mr. CUSTER. I think they are more often competitive.

Mr. HINRICHS. Well, are there other items of that sort that ordinarily come to you with differentiated bids?

Mr. CUSTER. I would hesitate to answer that without making a survey or a review of some examples, and I haven't had occasion to check outside of the larger and more frequent purchases for some time.

Representative WILLIAMS. Is there any reason that you can think of why there should be identical bids on one article any more than on another that your department buys?

Mr. CUSTER. I would answer that as it has been answered generally to me, that the items of materials which have published prices, prices of common knowledge to the industry and the trade, are more likely to be tie bids, such as steel. Any trade paper will give you the market quotation of steel; there are any number of trade papers.

Representative WILLIAMS. Did you ever get a bid from the steel companies or on any article of steel that was below the published price?

Mr. CUSTER. That's rather difficult to answer. The published prices are based on Pittsburgh or some other basing rate. Our prices are all quoted on a delivered price at our navy yards, and the only way to determine that would be to deduct freight to arrive at the base price.

Our prices generally are very close to the published prices, allowing for the differentials in the quoted market prices.

Mr. WOODEN. Published prices?

Mr. CUSTER. On the published prices. They are more often under than over.

Representative WILLIAMS. It seems to me we had some evidence here that there were a great deal of sales in the steel industry that were decidedly below the published price to everybody except the Government, is that true?

Mr. CUSTER. Well, only to the extent that I just answered. Our prices when reduced to the same basis are more often lower than the published prices, market prices, than higher.

Mr. WOODEN. Are you aware, Mr. Custer, that the mill net return at various mills, even though figured on the base price, the full base price, frequently comes out less than the base price because of the fact that their actual freight is greater than the freight rate on which the delivered price is figured?

Mr. CUSTER. I would not be in a position to give the reason for it.

Mr. WOODEN. How do you account for the fact that these various concerns located at various widely scattered points of production and shipment get such a close identity of delivered price when their actual freight rates must differ substantially?

Mr. CUSTER. I am not in a position to give that answer.

Mr. WOODEN. Does that factor in the situation have any bearing upon your conclusion as to whether or not the tie bids in such a situation are competitive?

Mr. CUSTER. From our standpoint, we are concerned with a determination only of what is a fair and reasonable price, not so much the cause for that price, and we do not go beyond the reasonableness of the price.

Mr. WOODEN. The only basis upon which you have to consider the reasonableness is whether it is competitive or not, isn't it?

Mr. CUSTER. Competitive, or in the range of published market prices.

Mr. WOODEN. You assume the published market quotations are competitive, is that it? How do you know that?

Mr. CUSTER. I would say that we do not know. We assume it.

Mr. WOODEN. You have to assume it, don't you?

Mr. CUSTER. We have to assume it.

Mr. WOODEN. In order to get your steel.

Mr. CUSTER. That is right.

The CHAIRMAN. Are there any other questions? If not, you may stand aside. Thank you so much.

(The witness, Mr. Custer, was excused.)

FEDERAL TRADE COMMISSION'S SUMMATION OF THE MONOPOLISTIC CHARACTERISTICS OF THE BASING POINT SYSTEM

Mr. BALLINGER, Mr. Chairman, at this point I want to offer for the record a document which has been prepared by Mr. Wooden and Mr. Hugh White of the Federal Trade Commission who have been associated with the Commission's activities for many years with respect to the basing-point system in the steel industry. This document is addressed to a detailed consideration of the documents prepared by the Corporation, including some additional factual matter relating to the basing-point system.

In my opinion, Mr. Chairman, this document, prepared by Mr. Wooden and his associates, is perhaps the most complete and comprehensive document that has been prepared by the Government on the monopolistic nature of the basing-point system in the steel industry.

Mr. Wooden is going to take the stand very briefly, Senator, just to point out some of the high lights in this pamphlet, but before Mr. Wooden starts in to tell you about that I want, if possible, to summarize very briefly what we think this hearing has shown from the standpoint of the Federal Trade Commission, where this hearing has taken us, because we made the charge that the basing-point system

was monopolistic, and we would like to point out to the committee that we don't think that conclusion has been upset.

I will start in this way. Back in 1924 the trial staff of the Federal Trade Commission contended in the Pittsburgh plus case that the basing-point system was a monopolistic device in that it repressed price competition in the steel industry. The steel industry stoutly denied this, and, of course, the Commission made a decision and issued a cease and desist order against the system. There was no appeal from that order for 15 years. Then the industry went into the multiple basing-point system.

The CHAIRMAN. There was no appeal for 15 years. What happened during that 15 years?

Mr. BALLINGER. The industry went over into what is known as the multiple basing-point system.

The CHAIRMAN. Then the industry abandoned the basing-point system?

Mr. BALLINGER. No; multiple basing-point systems are many Pittsburgh plus systems, I mean operating in certain territories, the way we see it.

Mr. O'CONNELL. Do I understand that the cease and desist order of the Federal Trade Commission merely prohibited a Pittsburgh plus system based on destination prices? Do you know the answer to that?

Mr. WOODEN. The answer is that the order ran against the making of prices or quoting of prices on any other base than the point of production and shipment.

The CHAIRMAN. Pardon me, Mr. Wooden, I suppose you ought to be sworn, according to our proceeding.

Do you solemnly swear the testimony you are about to give in this proceeding will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. WOODEN. I do.

**TESTIMONY OF WALTER B. WOODEN, ASSISTANT CHIEF COUNSEL,
FEDERAL TRADE COMMISSION, WASHINGTON, D. C.**

Mr. O'CONNELL. To pursue that just a little further——

Mr. WHITE (interposing). It is understood that order was against the United States Steel Corporation.

Mr. O'CONNELL. It was against the United States Steel Corporation and its subsidiaries, is that all?

Mr. WOODEN. That is correct.

Mr. O'CONNELL. Under the terms of the cease and desist order, the multiple basing point system was prohibited by the order of 1924, so long as the basing points included points other than points of production.

Mr. WOODEN. Yes. Of course the more multiple basing points there are, the more points of production there are included.

Mr. O'CONNELL. Do you understand that the United States Steel Corporation and its subsidiaries obeyed or complied with the cease and desist order from 1924 until they appealed from the order?

Mr. WOODEN. Their report of compliance was to the effect that they would obey the order so far as practicable. How far that was practicable and how far it was obeyed, I am not able to state.

Mr. O'CONNELL. The Commission took no action pursuant to 1924?

Mr. WOODEN. Meantime the N. R. A. came along and incorporated the basing point system as it then existed into the code.

The CHAIRMAN. What was the date of the original order to which Mr. Ballinger referred?

Mr. WOODEN. I think it was July 1924.

The CHAIRMAN. From 1924 to 1933, when the N. R. A. was passed, what did the Federal Trade Commission do to supervise the enforcement of its cease and desist order?

Mr. WOODEN. I am not able to answer that. I wasn't handling that phase of the business, in fact I was not connected with the Pittsburgh plus case.

The CHAIRMAN. How about you, Mr. White, were you familiar with it?

Mr. WHITE. In a general way.

The CHAIRMAN. What did the Trade Commission do to supervise the enforcement of its cease and desist order?

Mr. WHITE. Mr. Chairman, I don't think it is appropriate for me to make any statement as to what they did. I am just an employee of the Commission and I am not familiar in all respects with what they did.

The CHAIRMAN. I think it is perfectly appropriate if you know.

Mr. WHITE. Well, it had under investigation the merger of the Bethlehem, Lackawanna, and Midvale properties, and the question was somewhat involved in that case. That case was never decided, and while the Commission made some supplemental investigations and ascertained what was being done generally in the trade, there were no complaints about the multiple basing-point system.

The CHAIRMAN. Perhaps these questions are a little premature. Mr. Ballinger was making a statement.

Mr. WHITE. In other words, Senator, the system was somewhat modified. They had abandoned the so-called Pittsburgh basing system by which the single origin at Pittsburgh as a basing point was used.

The CHAIRMAN. As I understood the statement of Mr. Ballinger, it was that the Pittsburgh basing plan was abandoned after the issuance of this order in 1924, and that a multiple basing system, which is from the point of view of the Trade Commission equally objectionable, was adopted.

Mr. WHITE. It made no comprehensive investigation along that line. There were people connected with the Federal Trade Commission who took that view but the Commission made no comprehensive investigation and didn't find out what the effects of that practice were.

Mr. WOODEN. I might add this, that the Pittsburgh plus case arose out of complaints of a certain group of Western rolled steel-consumers who were being injured, they felt, by the Pittsburgh plus practice. The adoption of the multiple basing point system served to allay and satisfy in large part those injured Western rolled steel-consumers.

The CHAIRMAN. Those particular complaints were satisfied and the Federal Trade Commission was not acting as a complainant.

Mr. WOODEN. The Pittsburgh plus case was a formal case and in all formal cases the Commission does appear as the formal complainant.

The CHAIRMAN. Yes; technically; but I am referring now to the initiation of complaints.

Mr. WOODEN. In other words, that complaint did not originate out of any abstract theories and criteria, but out of the cry of complaint from definitely injured business interests, very strongly organized business interests.

Mr. O'CONNELL. I don't want to pursue this too far, maybe we are far afield, but I would like to get clear in my own mind what the Pittsburgh plus order did and what it was supposed to do. As I understood you just then, it was my understanding of the order that it prohibited a pricing system based upon any other than points of production or shipment. Now I understand also that in 1938, the United States Steel Corporation appealed from the cease and desist order of the Federal Trade Commission issued in 1924. Between 1924 and 1938, as I understand it, another system, although with some characteristics somewhat similar, grew up in the industry and it is now what we call a multiple basing point system, so there are various systems rather than the one that existed in the Pittsburgh plus case.

Now at the present time I understand the Steel Corporation is challenging the order of the Federal Trade Commission in the Pittsburgh plus case, is that correct?

Mr. WOODEN. That is right.

Mr. O'CONNELL. And now it is before the circuit court of appeals?

Mr. WOODEN. That is right.

Mr. O'CONNELL. I had an opportunity to glance at a brief, and you may correct me in this if I am wrong, but I was under the impression one of the grounds advanced by the Steel Corporation in their proceeding before the circuit court of appeals for requesting that the order be set aside was that the order had never been complied with anyway.

Mr. WOODEN. I believe such a contention is made.

Mr. O'CONNELL. If the steel company takes that position, wouldn't it be fair for us to assume that the order was not complied with in fact after 1924?

Mr. WOODEN. Well, speaking personally I think that is a fair inference. It is my own inference anyway.

Representative WILLIAMS. After all, is there any difference in the principle of the system?

Mr. WOODEN. I think the multiple basing point system is in principle the same thing as a single basing point system, as illustrated by the fact, as brought out by testimony of Mr. Fairless and Mr. Adams within the last few days, that on tin plate there are only three basing points at present in the country. Pittsburgh is one of them, and for the entire eastern United States there is a single basing point system in effect with Pittsburgh as the only basing point for that whole area. Formerly the Pittsburgh plus system applied to the whole country.

Mr. WHITE. Mr. Wooden, might I ask if the Corporation or the industry hasn't itself said that they were the same in principle?

Mr. WOODEN. The American Iron & Steel Institute in a published statement made in March 1935 stated that the multiple basing point system was the same in principle as the pricing system used by the industry for the past 40 years.

Mr. BALLINGER. When the industry went over, Mr. Chairman, to the multiple basing point system, it wasn't long before the Federal

Trade Commission said that this system, too, repressed price competition in the steel industry. Last March when we put on our hearing before this committee we charged that the multiple basing point system repressed price competition in the steel industry. Then in the interim the Corporation prepared two documents in which it said that the basing point system did not repress price competition. Then when Mr. Fairless came before this committee he made some very astonishing admissions, at least they seem very happy to us because they seem to clear up the controversy that has existed between the Federal Trade Commission and some of the experts in the steel industry.

Mr. Fairless admitted that when the basing point system was followed, that it eliminated price competition in the steel industry. That was a very significant admission. Now with that admission, I want to show just how that was brought about. Mr. Wooden brought into the record a statement of Mr. Gregg, vice president of the United States Steel Corporation, in which Mr. Gregg admitted when the basing point system worked, it did repress price competition in the steel industry.

Mr. GREGG. To answer your question specifically, if that plan were universally followed there would be no competition in so far as one element of competition is concerned, namely, price.

Then Mr. Wooden asked Mr. Fairless:

I take it, Mr. Fairless, that you are in agreement with Mr. Gregg to the effect that if the system is followed, and to the extent that it is followed, there is no competition in price; is that right?

Mr. FAIRLESS. Well, I thought I had made myself clear.

Mr. O'CONNELL. Well, the answer is "Yes," but you say that, as a practical matter, the system is not followed?

Mr. FAIRLESS. I have answered it that way. All the things you said, Mr. Wooden, if they were true, then your conclusion, or the conclusion I assume that you are striking for, would be true.

So he conceded the point, and we think that is a very significant admission.

Now it becomes a question of how much the basing point system is followed in the steel industry, as Mr. Fairless' whole defense was that the basing point system is sort of a shadowy thing that stands there and nobody takes advantage of it, they are always departing from it, and naturally that suggests, why have it in the first place?

The CHAIRMAN. The committee is aware that I was necessarily away all last week while the presentation was being made by the steel industry. Am I to understand from what you say now that the steel industry defended the basing point system but said at the same time that it was not followed?

Mr. BALLINGER. Apparently, as I get it, they did not defend the basing point system. They said competition existed in the industry because of departures from it.

Mr. WOODEN. They defended, of course, the basing point system. They put in these two pamphlets—

Mr. BALLINGER (interposing). I say Mr. Fairless' testimony.

The CHAIRMAN. I am talking about the industry. This pamphlet which was offered for the record by the industry was a defense of the basing point system, was it?

Mr. BALLINGER. Yes, of the basing point system.

Mr. WOODEN. It was not offered by the industry, Mr. Fairless was careful to emphasize, but by the Corporation; but it is a defense of the system from the industry standpoint, not from the Corporation standpoint.

The CHAIRMAN. But at the same time, the testimony was that the basing point system thus defended is not followed, is that right?

Mr. WOODEN. That is true.

Mr. BALLINGER. It is this way. They said in the pamphlet which they prepared¹ when the basing point system worked that a system of identical delivered prices was still a competitive price situation in the steel industry. Then Mr. Fairless testified that if the basing point system were followed, it eliminated price competition. In other words, Mr. Fairless' testimony was in direct opposition to what the document had said. He had taken an entirely new position in defense of the basing point system, maintaining it did not repress price competition because it was departed from, not because it was adhered to, conceding if it was adhered to it was monopolistic in that it eliminated price competition.

If we had known Mr. Fairless was going to say that, we wouldn't have taken all the trouble we did to prepare Mr. Wooden's document and Mr. White's document, trying to prove when the basing point system operates, it represses price competition. We got that concession from Mr. Fairless. We think that is significant because it brings the Steel Corporation and the Federal Trade Commission into agreement on the theory of the system.

Now the question is how far the system is departed from in actuality. I think some significant things have been introduced here. First Mr. Fairless admitted during the N. R. A. period the basing point system worked beautifully, so we may assume from that that price competition was eliminated in the steel industry during the N. R. A. days. Then Mr. Wooden read a statement into the record by Mr. Irvin where he said as late as 1936 that Mr. Grace, president of the Bethlehem Steel Corporation, must have been speaking facetiously when he said that U. S. Steel would cut below the base prices of Bethlehem Steel Corporation. I think that is rather significant, because it shows it would be rather a joke in the steel industry if anybody did that.

Then Mr. Wooden showed that many of the provisions of the N. R. A. code which are absolutely necessary if you are going to make the basing point system work, that there are certain things that you have to have standardized if you are going to get identical delivered prices, are still in existence. You have to have standard switching charges and you have to prevent trucks from breaking up the price structure, and you have to implement it various other ways. Mr. Wooden showed many of those provisions were carried on after the expiration of the code and many of them are still in force today.

Finally, we come down to identical bids on Government business and I think Mr. Wooden showed this morning in the case of the figures used by the United States Steel Corporation, that about 90 percent² of the bids were identical delivered prices, showing I think that the basing point system was working very well on those bids.

The question remaining, therefore, is, how serious and how numerous are the departures in private business? We can't answer that

¹ "Exhibit No. 1418", appendix, p. 14619.

² Mr. Ballinger subsequently submitted a letter and memorandum for inclusion in the record in connection with his statement, see p. 14330.

question, but if the basing point system works as well in private business as it does when the steel industry does business with the Government, you might say the steel industry is 90 percent monopolistic and 10 percent competitive.

I will let Mr. Wooden go on and explain the high lights of this pamphlet.

MR. WOODEN. Mr. Chairman and members of the committee: I think really the fundamental issue is not so much what the actual results at any given time of the system are, but what its potentialities are, what its intentions are, and what it normally works out to if permitted to function and if favored by conditions of general trade and business that are conducive to the proper working out of the system.

On the question of how far the basing point system is adhered to and how far it is departed from, I would say that there is no method of determining that question short of an examination of sales records of the members of the industry, with the particular idea in mind of ascertaining the answer to that question.

To take mere general assertions and opinions of members of the industry, who when the system is called in question merely say, "Why, it is more honored in the breach than in the observance," the inevitable psychological tendency is to exaggerate the degree and extent of departures from the system, and there is no check on it unless you go to the sales records.

Each competitor has to base his opinion as to others departing or adhering to the system largely on rumor and hearsay and suspicion. He is inclined probably to minimize the extent of his own departures and to exaggerate the extent of the departures of his competitors, and so I think it is an onerous task to undertake to answer that particular question. It seems to me the question really has to be decided upon the potentialities and natural tendencies and natural results, and to a large extent the actual results, which have worked out over the years, and not as of any particular limited period of time, such as the depression years.

Any kind of a system, no matter how well organized, no matter how powerful the forces back of it, may have to yield at times to the pressure of adverse business conditions. If the demand totally fails, even a strong monopoly will have to yield to it in its prices at times. In this industry we have, as the corporation shows itself, about 81 percent of the total production controlled by nine companies, and the steel corporation itself is the largest among them with probably a control of 35 percent or more of the total possible output.

I would like to say that the subject of the basing point system in steel has been debated for years and to my mind, my personal mind, it has been debated long enough. If debate on the subject can be prolonged indefinitely we can expect the system itself to be prolonged just as long as those who employ it find it profitable to employ it. I should hope that the last word on the subject might be said before this committee and that the only thing remaining to decide is whether the Government will continue to tolerate the basing point system in steel or take some steps to substitute a better condition for it.

I would like to say in just a few words what the basing point system is like—in my own words. It is a formula method of pricing which when appropriately observed and implemented by certain methods, which have been brought out here, automatically produces

identical delivered prices for all sellers at any given destination. The success of the system depends in the first place upon a common requirement that each seller sell only at delivered prices and a common refusal to quote or sell f.-o. b. mill and allow the purchaser to take his purchases anywhere he likes and in any mode of conveyance he likes. Ordinarily, except as otherwise provided by arrangement in the industry, the all-rail freight basis is the basis of calculating the delivered price. The delivered price is not calculated from the actual shipping point as such, but from a number of basing points. Some of these basing points may not even be producing points; most of them are. For each product there is a basing point. The number of basing points in total may be considerable, but it does not follow that the basing points for any particular product are considerable in number. As to many of them they are quite limited, as I cited in the case of tin plate in which there are only three I believe; on pipe there are only a few, and on other products there are only a few. Of course on pig iron there are a great number because they went directly under the code from the f. o. b. furnace system to a basing point system with almost every point of production a basing point. But that makes no difference in the ultimate result. It simply means that if every producing point were a basing point there would be no so-called phantom freight but there would be the so-called freight absorption. When each producing point went into the sales territory of another producing point they could still match their delivered prices by absorbing the freight necessary to put them in there at the identical delivered price.

The actual cost of transportation of course may be greater or less than the cost of transportation figured from the basing point. For a number of non-basing-point mills their actual shipping charges for transportation might be either greater or less. If they charged more in the delivered price than the basing point rate of freight, they have what is called phantom freight. It is an increment and increase in their actual mill-net realization. If their actual freight from the particular shipping point at a non-basing mill is more than the imputed rate, then there is freight absorption—they net less than the base price by the amount of the difference between the actual and the imputed rate of freight.

Mr. O'CONNELL. You don't think there is anything necessarily wrong with freight absorption or phantom freight in all situations, do you?

Mr. WOODEN. No; the question here immediately before the committee in the basing-point system is one of a systematic pattern of freight absorption and phantom freight with the end and result of matching the delivered price and making it identical. In that process freight absorption arises and phantom freight arises.

Mr. O'CONNELL. Let us suppose I were in a highly competitive industry and it happened to be steel, there would be nothing wrong with my using a formula for arriving at a delivered price which would in effect cause some of my customers to pay less than the actual freight and some of them to pay more. In an industry, it seems to me, that sells its commodities on a delivered price basis it necessarily gives some of its customers the benefit of freight allowance and some customers it charges more.

Mr. WOODEN. That gets into a field of economics that I would prefer not to get into, but I would say that the basing point system is

not that kind of a situation, because it represents a systematic pattern of freight absorption and phantom freight with the result and intent of making the delivered price identical.

Mr. O'CONNELL. Well, it is a formula adopted by an industry which results in identical prices rather than some customers having a freight advantage and some a disadvantage.

Mr. WOODEN. I think that is true.

On this phantom freight matter, the corporation freely admits in its pamphlets that there is phantom freight and takes great pains to point out the types of phantom freight and how it may arise. They freely admit the existence of freight absorption and point out how it arises, but they do not give very much space or attention to the importance of those two complementary phases of the delivered price. They are just the alter ego of the delivered prices themselves, the freight absorption on the one hand and the phantom freight on the other. The corporation does not give much idea of the extent or importance of those items, but this report which I am presenting here shows many cases where it is extremely important as to the quantity or the amount in dollars and cents that is added to or deducted from the base price by those two things, phantom freight and freight absorption.

The corporation makes it plain in their pamphlets, if it hadn't been made plain by Mr. Fairless, and it quotes N. R. A. reports to the effect, that the outstanding characteristic of the basing-point system is the fact that it does put rival producers on a footing of price equality with each other in all the consuming points over a wide area. That is openly defended as a means of putting competition on a basis that would yield higher prices than would result without it. You will find those statements quoted on pages 30 and 37 of the corporation pamphlet "Exhibit No. 1418."

These pamphlets, "Exhibits Nos. 1410-1418," take the position throughout that the critics of the basing-point system in the steel industry are basing their criticisms largely if not wholly upon abstruse and abstract criteria and theoretical considerations rather than tangible evidence. To meet that contention, which is repeated over and over again and is implicit throughout the pamphlets of the corporation, I would suggest that the committee take into account the facts developed here in the last few days showing that the basing-point system was made a matter of formal agreement under the N. R. A. code. It was incorporated in the code itself, the basing points were named, and very detailed and elaborate provisions were set up for implementing that basing-point system, so that the delivered prices would be identical to the nth degree. It has been shown here in the last 2 days that the basing point system has continued since the code, that the industry after the code was invalidated adopted resolutions to the effect that they would continue the provisions of the code including the basing-point system as a voluntary agreement ("Exhibits Nos. 2204 and 2205"), and the evidence is that they have continued to do that and the basing-point system still exists.

It has been shown here in the last few days that some of the detailed methods of implementing and making more effective the basing-point system of the code period have been continued in effect. I refer, for illustration, to the matter of an arbitrary switching charge at basing points which was put in under the code by resolution of the

board of directors of the institute ("Exhibit No. 2206"), and which the corporation itself says in its pamphlet is the general practice in the industry, yet. I refer also to the resolution relating to the charging of 35 percent of the all-rail freight rate upon shipments or sales made for truck delivery ("Exhibit No. 2207").

A man bringing his own truck or hiring a truck to go to the mill to buy steel—they will figure the carload freight rate to the place of his destination and then although his own truck is at the mill, charge him 35 percent of that all-rail freight rate to the destination and load it on his truck. But he gets it. And it was testified, too, that that was for the purpose, or at least that one of the things they meant to correct by it was the use of truck delivery that interfered with the identity of price figured on the all-rail basis. It is admitted in the corporation pamphlet that for many products the delivery by truck is most economical and yet Mr. Adams testified that they put this into effect, so far as his company was concerned, in order to discourage truck transportation of steel.

There are any number of these commercial resolutions. Another one has to do with the method of figuring the freight. The board of directors approved definitely under the code a compilation of freight rates which the traffic committee of the institute has compiled and formulated ("Exhibit No. 2208"), and under the code the industry was definitely required, compelled, to obey it. Well, that compilation of freight rates is still being put out by the Institute, and we have put in evidence here today showing that after the code was invalidated they carried on the same understanding that that compilation was to be used in figuring the delivered prices. That's very important, because the matter of interpretation of freight tariffs is a matter on which even freight experts will differ, and when you have some standardized compilation that puts down the figure to be used—whether correct or not doesn't matter, just so it's uniform—then you get your identical delivered price. The evidence put in here today shows that they were to use this institute compilation, even though a particular rate might be in error, until they could correct it through the institute book. Sometimes if the correct rate were lower than the published rate in the institute book anyone who used the correct rate would get a lower delivered price than his competitors. But to prevent that they made this rule or understanding that until the corrections were put out through the compilation itself, the Institute compilation, they should follow that Institute compilation and not the correct freight rate.

The effect of this 35 percent addition—you may call it a 65 percent reduction, but it's the same thing, just using different words for it—the obvious effect of that is that if some mill added only 34 percent of the all-rail freight to the base price it would be giving the purchaser the advantage of a lower delivered price. So 35 percent is the rule for all members of the Institute. The Corporation says in its pamphlet that that practice is still being generally followed.

We had this morning an example of how base prices themselves can be and are arrived at, in the letter from Mr. Dorenbusch to the president of his own company ("Exhibit No. 2214"), describing how it was decided to continue the base price on a certain product in effect for the next quarter, and stating definitely in that respect that some of the interests in the industry wanted a lower price, but that that was finally defeated and it was agreed to let the base price continue.

Representative WILLIAMS. Does the evidence show how many were in on that conference mentioned in that letter? That was the most remarkable letter I have seen yet, I think.

Mr. WOODEN. The witness' memory was rather meager on that subject. As a matter of fact, he testified that the conference referred to was one among the members of his own organization.

The CHAIRMAN. The witness denied the implication of the letter.

Representative WILLIAMS. I was not here. That was the reason I was asking. I wondered if the evidence showed the men of the organizations that were in on that conference.

Mr. WOODEN. Now there was another provision adopted under the code requiring that on sales made for use in the erection of an identified structure and on which work was to be done on the products in transit, known as fabrication in transit, that you had to figure the delivered price according to the nearest place to the structure rather than the place of the fabrication. The commission pointed out the effect of that rule in its report to the Senate in 1934. It pointed out that the effect was to give information to the integrated producers who also operated fabricating plants, as to where a particular structure was going to be erected and enable them to have an advantage in having that information for use in competition against fabricators who didn't have the affiliations with the integrated producers. That rule was shown here in the last day or two to have continued at least as late as 1936, a year or more after the code, and to some as yet undetermined later time. We were unable to ascertain how much later.

I would call the committee's attention also to the testimony here in November which showed considerable interesting and significant evidence concerning the discussions that take place among producers in connection with determining the base price of tin plate and of pipe. There is considerable evidence from which the inference can be drawn that there is an exchange of opinion among the competitors before they decide what prices shall be published.

Then in the same connection there was evidence put in here in November by Mr. Adams, a vice president of the Corporation, and Mr. Fairless, showing how competitors work together and consult with each other with regard to what the proper extra charge shall be, extras being placed on products which are somewhat variant from the base-price quality, either above or below. Many of them are above. The importance of extras may be gained from the fact that the Commission's report to the Senate, I think, showed increases under the code in extras, in quantity extras, I believe, of—oh, three or four hundred percent. And the obvious fact is that a change in the price of extras may be as important as a change in the base price itself. It is possible by changing the price of the extras to greatly affect the real net prices returned or received by the industry, as distinguished from these published base prices.

Mr. O'CONNELL. Mr. Wooden, I take it that a standard book of extras is important or necessary in arriving at uniform prices in the same way that the standardization of other elements of cost or freight or the base price itself are important.

Mr. WOODEN. That's right.

Mr. O'CONNELL. In other words, in order to arrive at identical prices you must have uniformity in each of the elements that go to make up the final price to the purchaser?

Mr. WOODEN. That's right.

Mr. O'CONNELL. And the standard-freight-rate book is one way, the standard book of extras is another, arbitrary switching charge is another, and the base price itself is the one with which you start.

Mr. WOODEN. That's true, and under the code the Institute, the American Iron and Steel Institute, put out a standard book of extras. I understand that since the code the extras are still standard, but each company puts out its own book. But it was brought out here before the committee, I think in November, that these competitors' representatives worked out cooperatively and collaboratively the type and extent and amount of extras to be imposed, and that in fact the extra charges made by each company in the steel industry are identical with those made by the others.

(Mr. O'Connell assumed the Chair.)

Acting Chairman O'CONNELL. As I recall it, you testified that as to that particular element of cost the producers in the steel industry thought it proper to consult with each other for the purpose of arriving at a standard rate for all extras, and I think one of the witnesses indicated that in that connection they relied upon an opinion of counsel that insofar as that particular element of cost, it was perfectly proper for them to agree. Do you recall that?

Mr. WOODEN. Yes; I do. I should like to point out that the effect of this all-rail basis of figuring the transportation cost was frankly defended by the industry on the ground that it put inland producers on an equality with producers located on the waterways. It was thought to be unfair competition for the producers located on waterways to be allowed to give the benefit of waterway transportation, cheaper waterway transportation, to their customers to the detriment of the inland producers. That is what accounted for the all-rail base. Despite the protests of concerns that were located on the waterways, both sellers and buyers, transportation companies, chambers of commerce, Senators and Representatives, the industry in 1934 took a vote and overwhelmingly defeated the proposition of shifting from the all-rail base to meet those protests. That all-rail base still continues with the exception that the Institute publishes some compilations of freight rates that show rail and water and rail-ocean-rail so as to figure rates out to the Gulf ports and to the Pacific Coast ports.

Representative WILLIAMS. If that were carried out, shouldn't there be differential freight?

Mr. WOODEN. I can't see any escape from the logic of the proposition that a purchaser, or a seller either, that is located on water, for instance, should be allowed to have the benefit of his location even though it may be a little bit hard upon someone who doesn't have a similar location or as good a location. Otherwise, it seems to me, that is a perfect example of deprivation of natural advantages which are one of the outstanding features in any competitive system. If people are not allowed to exercise their natural advantages of location on water or otherwise, the implication is very clear that it is an interference and an arbitrary interference with competitive advantages.

I won't do more than mention the fact that the Corporation contends in these pamphlets that the basing-point system was the natural economic outgrowth of natural conditions in the industry. Mr. Fairless could not give any support for that statement, and on the

contrary he had not even considered the detailed specific findings of fact made by the Federal Trade Commission in the Pittsburgh Plus case based upon evidence taken in that case that showed the origin of the system was clearly one in which competitors united to fix prices and prevent competition by using the basing-point system plus freight from the basing-point and thereby getting an identical delivered price.

I should like to advert for a moment to this matter of phantom freight, and I should like to make the point that it is not merely the existence of the phantom freight itself but the conditions out of which it arises. Under the basing-point system it is all merely the natural expression of the system itself, and it is necessary to the system that it be maintained fully or the system itself breaks down. Some of this phantom freight is very important. The Corporation itself has a mill at Allentown, Pa., that makes, I think, nails and something else, with prices based on Pittsburgh. The freight from Pittsburgh to Allentown is about \$6 a ton. Under the system it must add that freight from Pittsburgh to Allentown. If it adds less than the full amount of that freight then there is a monkey-wrench in the machinery and some competitors are not going to know just what the delivered price at Allentown ought to be. They won't have an identical delivered price unless the Allentown mill adds the full freight from Pittsburgh to its destination. It is the systematic pattern, as I said before—this phantom freight—that is characteristic of the system.

It has been inferred, I think, in a good many quarters that the changes in base prices in 1938 and the abolition of some of the differentials that existed before that time between basing points had done away with phantom freight, but I think that is entirely a misconception. Phantom freight will always exist under the basing point system as long as the actual freight from a shipping point is less than the imputed freight which is added in for purposes of quoting prices and making prices. The Corporation admits that phantom freight arises out of the use of truck transportation and out of the use of water transportation, because the delivered price is figured on the all-rail basis. Therefore there is a difference between the actual and the imputed freight which goes to swell the base price.

There is a mill out in Colorado, the Colorado Fuel and Iron Co. It is the only one in a wide area there, but it produces large quantities of heavy structural shapes, light structural shapes, universal plates, hot rolled strip, merchant bars, concrete reinforcing bar, billets, blooms, blooms for forging, plain wire, nails and staples, barbed wire, wire fencing, and bale ties. It bases prices for all those products on Chicago and Gary. That means that for the local purchasers in Colorado, the addition of phantom freight from those basing points is required by the basing-point system and it amounts to \$19.60 a ton. You may say that being the only producer in that territory it is entitled to do that, but I point out that unless it takes advantage of the full amount of that all-rail freight advantage it is not playing fair with the basing-point system. With that freight advantage of \$19.60 on those products out to Colorado, if it charges only \$19.50, ten cents less than the full freight advantage, it is going to have the low price out there and other shippers can't get in and sell in the face of that ten-cent discount.

On the Pacific Coast some products are produced which are priced on an eastern base plus water freight out there to Los Angeles and San Francisco and other Pacific ports. On one or two products, and not on one or two others—but on one or two products the base price out there as testified to by the Pacific Coast Fabricators' Association Secretary is the equivalent of those eastern prices, such as Birmingham plus, or Sparrows Point plus. On one or two products, as I started to say, it is rounded off so as to be a little bit higher than the eastern prices plus freight out there, and yet those products, or some of those products, are produced right on the Pacific Coast. The same point applies. You may say that there is a shortage of production out there and they are entitled to charge what it would cost to bring the product from the East, but as I said before unless they take advantage of it to the last cent they are undercutting what the basing point system calls for.

There are some important aspects of this phantom freight on other industries. It was that phantom freight element that caused the outcry of the western rolled steel consumers against the Pittsburgh plus system, because located at Chicago or in territories in the Middle West, although the goods were produced right there the price was made by adding the freight from Pittsburgh and it was called phantom freight. The result of it was that fabricators and remanufacturers in the Pittsburgh district who could buy at Pittsburgh without any plus came out there into the Middle West territory around Chicago and competed with those middle western fabricators and remanufacturers who had to pay that Pittsburgh plus phantom freight and the western people simply couldn't compete with them.

The same thing was true on the Pacific coast according to the testimony of the Secretary of the Pacific Coast Fabricators Association. He testified that even now the fabricators out there when they come toward the East are stopped at a very short distance by the competition of the eastern fabricators who can buy in the East at the eastern prices and have the advantage against them while the western fabricators can't come East. The amount of their disadvantage in terms of dollars and cents, even at the present time, is greater than it was in the case of the Pittsburgh plus system in the Middle West.

Not only does that phantom freight have an effect upon existing fabricators and remanufacturers in their ability to compete, but an important point is that the amount of the phantom freight may be so great as to preclude the development and growth of new industries in such localities. With the advantage that the eastern fabricators and remanufacturers located at or near eastern basing points have in owning their goods, in buying their goods at the base prices without freight, it is simply impossible to compete with them and new industries don't spring up as they would normally in such territories.

Mr. HINRICHs. Do you mean by that new industries using steel as a raw material?

Mr. WOODEN. Oh yes, surely, that is what I mean.

Another factor in that connection is the factor of waste. There are many remanufacturing industries, fabricating industries, that buy their steel as raw material and in making their finished product they just necessarily have to waste a large percentage of it. It may be a waste of 30 or 40 percent in the manufacture, and they can only sell that waste product as scrap.

Now, that tends to increase the effect of the phantom freight far beyond what the superficial amount seems to be, because of that waste practice. They pay phantom freight on that unavoidable waste.

Well, I should like to say that the freight absorption likewise is just the natural, automatic reflection of the identical delivered price, and that both of them together, freight, absorption and phantom freight, reflect the range of the mill nets which the mills receive under the basing point system. I should like to point out, as I do in the prepared statement, that the Corporation throughout its pamphlets and in its testimony of its officials here, recognized that these mill net yields are the actual prices obtained; that the base price is not the real price and that the delivered price is not the real price, but that the real price is what the mill net yield returns to the seller. And it admits expressly in the pamphlets that this mill net yield is a systematic pattern of variation that is the reflection of the identical delivered price under the basing point system.

It might be thought that it is not in keeping to discuss the economic aspects of the basing point system in this statement, but the Corporation brought into these pamphlets defending the basing point system a great many economic theories, drawing upon the conclusions and facts set up by their expert economists such as Dr. Yntema and others, which were put in as separate exhibits. They claim, for instance, that identical delivered prices result from perfect competition in a free market, and they cite the classical economic concept of a free market to sustain that position. At the same time they contend that perfect competition is an abstraction and exists nowhere, and yet they seek to take advantage of that theory of perfect competition and its effect upon uniformity of price by saying, "That's what we have in the steel industry." To do that they postulate the market as being at destination, and of course under the basing point system they won't permit it to be anywhere else. The fact of the matter is, the important issue is whether in requiring sales to be made only at destination they do not thereby close all the markets at the mill and even close the market entirely in the sense that economists use the word market.

The Corporation in its pamphlet makes its argument that there is such a contrast between the physical conditions of the steel industry and the concepts of the economists of perfect competition that the rules regarding competition should not be applied, citing in that connection such matters as the limited number of producers and the limited number, relatively, of large buyers of steel. My only comment in that connection would be that the fewer the number of producers the greater care ought to be exercised in seeing that a competitive condition among them is maintained, rather than relaxing any rules because of that small number of producers.

The Corporation makes claims that the demand for steel is inelastic and that the price has no relation to demand. I would say in that connection that if it be true that price and demand for steel are unrelated, it simply means that one-half of the law of supply and demand has thereby been repealed. If there is no relation between demand and price, and that half of the law of supply and demand has been repealed, then it indicates the existence of some form of artificial control. Yet the Corporation expressly says and goes to great length to prove, through its economists and studies of prices and costs and everything

of that sort, that it is not feasible to reduce the price of steel because to do so would not increase the demand. The record is against them on that, and I think the Government economists disposed of that issue very nicely in the last week.

The Corporation also makes quite an argument to the effect that prices and profits are reasonable in the industry. There is a section of this statement which is devoted to that contention. Since my time is so limited, I will not stop to analyze that contention of the Corporation, but I would like to make this particular point, that a great deal depends on whether you consider the prices and profits off the industry as a whole, as a collective entity, or whether you take the profits of particular members of the industry. If you take them collectively, you thereby forget that it is supposed to be a competitive industry. If you take them separately you will find that some of the more efficient concerns have been able, even through the depression, to make satisfactory profits.

The whole question of prices and profits can't be determined, as a matter of fact, unless you adhere to the principle that only competition can determine what price is fair and reasonable. If you depart from that standard somebody has to determine it, and then it simply becomes a question of determination by interested members of the industry through the use of such a thing as the basing-point system.

The Corporation also defends some of the uneconomic results of the system, such as excess capacity. It takes various positions regarding excess capacity. It argues in the first place that it doesn't exist; in the second place that if it does exist there is no way of measuring it; third, that there is no feasible way of eliminating it; and fourth, that it has certain economic advantages which justify it. You will find all those positions taken in its pamphlet. I put in here today a chart showing the relation between production and capacity of the industry for a number of years past ("Exhibit No. 2233"), and which contradicts these statements of the Corporation to the effect that the capacity of the industry was not more than sufficient to supply the needs of the country during periods of high demand, such as 1929, 1937, and the present time. As a matter of fact, by decades you can carry the industry back to 1901, when the Steel Corporation was formed, and if you take it by decades you will find that from 1901 to 1910 the percentage of production to capacity was 68.26 percent; 1910 to 1920, 77.65 percent; 1920 to 1930, 70.54 percent; 1930 to 1939, 44.55 percent. So instead of there being no excess capacity, it has existed in the industry ever since the Steel Corporation was formed.

There is nothing novel about the thought of excess capacity of the industry. The magazine "Steel" had an editorial in July 1938, which I cite in this statement, concerning excess capacity and discussing the relation of it to capitalization. It pointed out that for the period between 1926 and 1937 the production was only 60 percent of the capacity, and that the entire capacity earned during that period, 3.49 percent on the capital invested in the entire capacity, after absorbing depreciation and overhead on the idle 40 percent; and they suggested that steel, instead of being a \$4,281,000,000 industry actually would be capitalized at considerably less if much excess capacity whose future usefulness is problematical were scrapped.

The Corporation also defends the existing location of mills. It was brought out here yesterday that the pamphlet shows—and I quoted the page, quoted the language—that the location of mills cannot be attributed to any pricing system. Then they switch around and they go over to the point that if you bother the system or disturb it in any way it just puts all these plants out of business. It says that it would be an exception if any mill could satisfactorily survive under a change in the system to an f. o. b. mill system.

The Corporation goes into the argument that the overhead and capital costs justify the basing point system, and I put in here today a statement which showed how much variation there was between the capital costs of the different companies ("Exhibit 2236").

Nowhere, however, does the Corporation do a better job at what they sometimes refer to as economic sophistry than in the argument that if you substitute another system, a mill price system, for the basing price system, you will disrupt and dislocate industry and cause economic disaster. They take about, I think, 12 pages and present maps with an elaborate showing as to how mills would be restricted to a very limited territory and simply could not do business under any mill system. But in doing that they employ a technique which they elsewhere say in the pamphlet is simply impossible. They say it can't be done, you can't measure what would happen—and then they go ahead and try to measure it. Even in trying to measure it, though, they make a lot of assumptions which are gratuitous and unfounded. They assume so many things about it that there is no ground for assuming.

In the last place I would like to mention that in making its argument in these pamphlets, the Corporation has misstated the position of the Federal Trade Commission regarding alternatives to the basing point system. They contend—and devote a large part of their pamphlet to the argument based upon the contention—that the Federal Trade Commission proposes to impose by law or mandate a mill system of pricing that would prevent any seller making any different price to one customer than to another.

The Commission has not taken that position, and there is no evidence to support the claim that it has. As a matter of fact, if it had taken that position it would have taken the position that it was above the law, because the law itself specifies the conditions under which different prices may be made to different customers.

Acting Chairman O'CONNELL. You are speaking of the Robinson-Patman Act?

Mr. WOODEN. And its predecessor, the Clayton Act.

Acting Chairman O'CONNELL. Of course, the Commission might propose to change those laws.

Mr. WOODEN. Yes; but the Corporation says what the Commission has done, and it has done no such thing. What it might do in the future, I can't say.

Acting Chairman O'CONNELL. But I am merely pointing out that the Federal Trade Commission might propose legislation which would be inconsistent with some provisions of any existing statute such as the Robinson-Patman or the Clayton Act.

Mr. WOODEN. Surely. I wouldn't attempt to say what the Commission would do in the future, but I direct attention to the fact that the Corporation has misstated what it has done and said in the past.

In the last analysis, the question is whether this system should be allowed to continue. The Corporation itself agrees that price competition is necessary in an industry operating in a capitalistic system. So, if the conclusion be that this is not a competitive system and that price competition is suppressed by the system, then the Corporation would have to follow the logic of its own position and say, "You have got to get rid of it or else the capitalistic system itself is menaced."

In closing, I would merely like to say that it seems to me the peculiar province of this committee is to consider whether legislation outlawing the basing-point system should not be recommended. As the situation is now, with the outcome of any basing-point case depending upon the interpretation of the law and the facts under theories of conspiracy and concerted action which, I think, are necessary to make the law applicable, it requires an enormous expenditure of time and effort and labor in establishing that condition in an adversary proceeding for each particular industry and what the facts are in that industry regarding the basing-point system. I would say that no more vitally needed legislation within the scope of this committee can be suggested than that of directly prohibiting the basing-point system by congressional mandate. The constitutional power of Congress to regulate interstate commerce could find no more appropriate exercise, assuming that our long-established public policy of preserving competition and free enterprise is to be something more than an abstraction.

Thank you.

Acting Chairman O'CONNELL. Do you wish to offer this document for the record?

Mr. WOODEN. Yes.

Acting Chairman O'CONNELL. It may be admitted.

(The document referred to was marked "Exhibit No. 2242" and is included in the appendix on p. 14548.)

Acting Chairman O'CONNELL. Thank you very much, Mr. Wooden. If there is nothing more to come before the committee we will stand in recess subject to the call of the chairman.

(Whereupon, at 4:25 p. m., the committee adjourned subject to the call of the chairman.)

The following letter is included at this point in connection with Mr. Ballinger's statement on p. 14317, *supra*. (See footnote reference 2 on that page.)

FEDERAL TRADE COMMISSION,
Washington, December 11, 1940.

Mr. WILLIAM HEFLIN,
Temporary National Economic Committee,
The Capitol, Washington, D. C.

DEAR MR. HEFLIN: Enclosed herewith is a memorandum to be inserted in the record in connection with my statement relative to identical bids on government business, during the Commission's steel hearings on January 30, 1940.

Sincerely yours,

WILLIS J. BALLINGER,
Executive Assistant to the Commission, T. N. E. C. Inquiry.

WJB:FG
Encl.

The percentages in this and the following paragraphs were materially changed, the percentages above stated being found to be in error. The fact appears to be that during the particular limited period of time involved, there was, according to the data submitted by the Corporation, no notable uniformity in bids to the Government such as characterizes the system when it is adhered to. As shown by the Department of Justice in their "Exhibit No. 1349,"¹ part of the period covered by Corporation's data was one of "price confusion," "exceptional weaknesses in the prices of many steel products", and marked by "many companies" beginning the "quotation of base prices, especially for flat rolled products like strip, sheet, or plates at their own mills."

The situation during more typical periods is shown in bids to the Navy Department during 1935 and 1936. (See "Exhibits Nos. 2240, 2241",² and testimony of A. B. Custer of the Navy Department.) In one case there were 43 bids, identical to the penny, in the amount of \$45,683.48, and in another there were 31 bids, identical to the penny, in the amount of \$20,727.26. The whole matter of the significance of the percentage errors referred to is covered by the letter of Mr. Irving S. Olds, Chairman of the Board of the Corporation, to Chairman O'Mahoney, dated October 4, 1940, and the letter of Walter B. Wooden in comment thereon dated November 29, 1940, both of which are in the record.³ In any event, it should be obvious that the merits and demerits of any system cannot be determined by the extent of temporary departures from it.

The argument advanced in the paragraphs covered by this memorandum is that the high percentage of identical bids on Government orders from the steel industry is a refutation of the contention of the representatives of the Steel Corporation before the Temporary National Economic Committee that the basing point system is a "shadowy thing," which is practically disregarded in the determination of steel prices. The staff of the Commission feels that this argument is not invalidated, because the United States Steel Corporation submitted data to the Committee which applied to a very limited period, and a period during which the basing point system in the steel industry was temporarily abandoned because of price-cutting. The staff of the Commission is of the opinion that there is ample evidence in a number of previous studies conducted both by the Federal Trade Commission and other governmental agencies, such as the National Recovery Administration, to show convincingly that observance of the basing point system in the steel industry is the general rule rather than the exception, with the result that a very high percentage of bids on Government purchases have been identical to the penny.

¹ Included in Hearings, Part 18, appendix, p. 10391.

² Pp. 14547 and 14548, *supra*.

³ *Supra*, pp. 14691 and 14693, respectively.

APPENDIX

EXHIBIT 2189

Address reply to
"The Attorney General"
and refer to
initials and number
60-138-M

Re Form A

DEPARTMENT OF JUSTICE,
Washington, D. C., January 19, 1939.

Gentlemen: As part of the investigation of the iron and steel industry for the Temporary National Economic Committee, the Department of Justice and the Federal Trade Commission have prepared a questionnaire on the distribution of certain selected steel products. You will find enclosed (a) instructions for the compilation of the data requested; (b) copies of the form (Form A) on which spaces are provided for the recording of the figures reported; and (c) a form of affidavit and verification.

Form A and the instructions accompanying Form A have been designed in conformity with reported company methods of recording tonnage shipment data from manufacturing plant to destination. It is contemplated that the data requested will be a matter of record with your company or that they may be readily derived from existing records without resort to original invoices. Inquiries with respect to any part of the questionnaire or any problem raised by it should be addressed to this Department, with the file reference as indicated.

There is also enclosed an affidavit to be executed by that officer of the reporting company ultimately responsible for the preparation of the questionnaire. Execution of Form A will not be deemed complete unless the verified affidavit is properly made and returned.

It will assist the Committee if each reporting company as soon as possible will advise the Department of the approximate date when final reports on Form A for the periods selected can be submitted.

Very truly yours,

THURMAN ARNOLD,
Thurman Arnold
Assistant Attorney General.

FORM A

60-138-M

DATA REQUIRED FOR THE TEMPORARY NATIONAL ECONOMIC COMMITTEE ON THE DISTRIBUTION OF SELECTED CARBON STEEL PRODUCTS

INSTRUCTIONS

1. All tonnage data required are indicated on the accompanying sheets, labeled Form A. Spaces are provided at the head of each sheet for the insertion of the following information: (a) the names of the company; (b) the name and location of each works or group of works from which shipments are reported; and (c) the year during which shipments reported were made.

2. Separate sheets should be used for each works and for each of the three calendar years (1936, 1937 and 1938) for which data are required. For example, if the company operated two separate works during each of the three calendar years, its final report will be made on six sheets; if only one works, on three. Additional copies of Form A will be supplied on request.

(a) If the company operates more than one works and if it is impracticable to derive these data from its records for each works separately, give the name

and location of each works for which these data are aggregated and indicate the distance between works and the ways in which integrated operations are effected.

(b) Under *no* circumstances must the data combine the operations of works if different basing-point areas.

3. In reporting tonnage shipped, indicate for each product whether the weights are gross or net tons.

4. All data requested are for carbon steel. Special products such as alloy steels and high carbon wire are excluded.

5. Your company is understood to record tonnage shipments of steel products from works to destination by States and by counties on punch cards for machine tabulation. You are requested, therefore, to report tonnage shipments for the products listed on Form A both by States and by certain important sub-division of States and metropolitan consuming areas, listed in the first column of Form A under "By other consuming districts" and defined in the schedule of consuming districts enclosed.

6. In addition to the information requested on Form A, please give, on a separate sheet, the name and, if available, the most important destination-plant location of each of the company's four largest customers for each of the selected products for which shipment data are required.

7. There is enclosed an affidavit to be executed by that officer of the reporting company ultimately responsible for the preparation of this questionnaire. Execution of Form A will not be deemed complete unless the verified affidavit is properly made and returned.

Temporary National Economic Committee

FORM A

Distribution of selected carbon steel products

Company ----- Name and location of works ----- Period covered -----
 [Indicate whether gross or net tons are reported]

Domestic shipments by geographic area ¹	Blooms, billets, and slabs	Sheet and tin plate bars	Skelp	Wire rods	Steel sheet piling	Rails (over 60 pounds)	Plates	Heavy structural shapes	Merchant bars	Concrete reinforcing bars	Sheets, H. R. and H. R. annealed	Strip, H. R. galvanized	Sheets, C. R.	Pipes and tube, seamless, lap-weld, butt-weld only	Tin wire, plate drawn
By States:															
Maine.....															
New Hampshire.....															
Vermont.....															
Massachusetts.....															
Rhode Island.....															
Connecticut.....															
New York.....															
New Jersey.....															
Pennsylvania.....															
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Minnesota.....															
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Missouri.....															
North Dakota.....															
South Dakota.....															
Nebraska.....															
Kansas.....															
Delaware.....															
Maryland.....															
District of Columbia.....															
Virginia.....															
West Virginia.....															
North Carolina.....															

¹ Exclude shipments to works of the same or affiliated companies; but include shipments to warehouses of the same or affiliated companies and shipments to jobbers' warehouses. It is understood that shipments from manufacturing works only are to be included. Shipments from company warehouses are excluded.

Youngstown.....																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
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¹ "Affiliated company" means any company described as a parent, subsidiary, or affiliated company in the reporting company's annual reports or in any registration statement filed by it with the Securities and Exchange Commission.

¹ For definition of consuming districts, consult accompanying schedule of consuming districts.

EXHIBIT No. 2190

Address reply to
 "The Attorney General"
 and refer to
 initials and number
 60-138-M

DEPARTMENT OF JUSTICE,
 Washington, D. C., December 23, 1938.

Re Form B

GENTLEMEN: As part of the investigation of the iron and steel industry for the Temporary National Economic Committee, the Department of Justice and the Federal Trade Commission have prepared a questionnaire on the distribution and pricing of certain selected steel products. You will find enclosed (a) instructions for the compilation of the data requested; (b) copies of the form (Form B) on which spaces are provided for the recording of the figures reported; (c) a list of the works and the products selected for report; (d) a detailed definition of the consuming districts listed on Form B; and (e) a form of affidavit and verification. It is contemplated that these reports be filled out from records currently prepared by companies during the month of February, 1939. The forms are self-explanatory.

These data are requested at this time only for the month of February, 1939. At a later date, when seasonal pressure upon clerical personnel of reporting companies has lifted, similar information will be required for a single month in each of the years 1937 and 1938. The reports call for records of shipments only of selected products from certain specified works of each company. In the case of each reporting company the works and products included are listed on the enclosed sheet. Inquiries with respect to any part of the questionnaire should be addressed to this Department, with the file reference as indicated.

There is also enclosed an affidavit to be executed by that officer of the reporting company ultimately responsible for the preparation of the questionnaire. Execution of Form B will not be deemed complete unless the verified affidavit is properly made and returned.

It will assist the Committee if each reporting company as soon as possible will advise the Department of the approximate date when reports for the month of February, 1939 can be submitted.

Very truly yours,

(Signed) THURMAN ARNOLD,
 Assistant Attorney General.

FORM B

60-138-M

DATA REQUIRED FOR THE TEMPORARY NATIONAL ECONOMIC COMMITTEE ON THE
 DISTRIBUTION AND PRICING OF SELECTED STEEL PRODUCTS

INSTRUCTIONS

1. All data required are indicated on the accompanying sheets, labeled Form B. Spaces are provided at the head of each sheet for the insertion of the following information: (a) the name of the company; (b) the name and location of each works or group of works, listed on the enclosed sheet, from which shipments are reported; (c) the name of each product, listed on the enclosed sheet, shipped from such works during the period covered; (d) the month and year during which shipments reported were made (i. e., for purposes of this questionnaire, February, 1939); (e) the basing point on which delivered price was computed.

2. Separate sheets should be used for each works, each product, and each basing point on which delivered price was computed. For example, if the company operates two separate works, produces and ships from each of those works three of the selected products, and prices each of those products on three basing points, its final report will be made on eighteen separate sheets of Form B. With one work, nine sheets would be required; with one works and one product, three sheets. Additional copies of Form B will be supplied on request.

(a) If it is impracticable to provide the information requested separately for each of the works indicated, give the name and location of each of the works for which these data are aggregated, and indicate the distance between works and the ways in which integrated operations are effected.

(b) Under no circumstances must the data combine the operations of works in different basing-point areas.

3. Data are requested for the period February 1-28, inclusive, 1939.

4. In the case of products which are quoted Gulf Ports or Pacific Coast Ports without price differentials among ports, Gulf Ports or Pacific Coast Ports will be considered a single basing point in each case respectively.

5. Special attention is called to the detailed definition (in terms of counties) of the consuming districts listed on Form B.

6. The data requested in this questionnaire are for carbon steel only. Special products such as alloy steels and high-carbon wire are omitted.

7. There is also enclosed an affidavit to be executed by that officer of the reporting company ultimately responsible for the preparation of the questionnaire. Execution of Form B will not be deemed complete unless the verified affidavit is properly made and returned.

Address reply to
"The Attorney General"
and refer to
initials and number
60-138-M

DEPARTMENT OF JUSTICE,
Washington, D. C., January 27, 1939.

Re Form B.

GENTLEMEN: You are referred to the questionnaire (i. e., Form B) which was sent to you by this Department under date of December 23, 1938. Several questions of interpretation have been raised by representatives of the industry and, to insure uniformity in reporting, you are requested to consider the following determinations an integral part of the instructions which accompanied Form B.

1. Column (4) which is now headed "Freight charges added to base prices to arrive at invoiced value per column (3)" should be interpreted to mean "Freight charges from nearest basing point, freightwise, to point of delivery" in all instances in which the delivered price is not computed directly from a base price plus freight.

2. In the case of shipments to third parties, including fabrication-in-transit shipments, consuming district means district of ultimate destination.

3. All direct shipments, including shipments for the account of affiliated companies and shipments for the account of jobbers or other distributors, are to be tabulated by consuming districts. Such shipments are not to be included under "Other shipments."

4. In the case of "Exports", it will be sufficient to report total tonnage shipped and the aggregate value at the mill of such shipments leaving columns (3) to (6) inclusive blank.

5. In the case of "F. O. B. mill sales", columns (4) and (5) should be blanked out, since no freight is involved.

6. In the case of "Shipments to plants or warehouses of the same or affiliated companies", please observe the following:

(a) Shipments to warehouses (i. e., for resale) of the same or affiliated companies may be reported in tonnage only, columns (3) to (6) inclusive being left blank.

(b) Shipments to fabricating plants of the same or affiliated companies, however, should be reported in all six columns. A fabricating plant means a plant engaged in the further processing of steel into such products as ships, all forms of structures, fence, posts, and other wire products, pipe and tubes, etc.

If shipments to warehouses are reported in tonnage only, they should be reported separately and *not aggregated with shipments to fabricating plants.*

7. "Shipments to jobbers' warehouses" means shipments which are outright sales but which are made for resale, whether the buyer be classified as a jobber, retailer, or distributor. For these shipments, column (4) may be blanked out but the data in the other columns (2) to (6) inclusive are required.

8. Companies requested to report data on Form B for "Plain wire, drawn" will please observe the following definition of this product: Plain wire, drawn means wire which is sold in the bright state only, excluding all wire receiving special treatment after drawing.

Very truly yours,

(Signed) THURMAN ARNOLD,
Assistant Attorney General.

Products Selected for Form B Analysis:

1. Sheet and Tin Plate Bars
2. Wire Rods
3. Plates
4. Heavy Structural Shapes
5. Hot Rolled Sheets
6. Hot Rolled Strip
7. Cold Rolled Sheets
8. Cold Rolled Strip
9. Tin Plate (95 lb. base boxes)
10. Plain Drawn Wire

Temporary National Economic Committee

FORM B

Distribution and pricing of selected steel products

Company----- Period { Month-----
 Year-----
 Name and location of works----- Basing point on which delivered
 Product----- price was computed-----

Domestic shipments to consuming districts ¹	Tonnage shipped, net or gross tons (state which)	Total invoiced delivered value	Freight charges added to base prices to arrive at invoiced value per column (3)	Actual freight paid or allowed on shipments from mill to destination	Total extras included in invoice delivered value per column (3)
(1)	(2)	(3)	(4)	(5)	(6)
DISTRICT	Tons	Amount in dollars	Amount in dollars	Amount in dollars	Amount in dollars
Maine.....					
New Hampshire.....					
Vermont.....					
Massachusetts.....					
Rhode Island.....					
Connecticut (except Fairfield County).....					
Metropolitan New York.....					
Eastern and Central New York.....					
Buffalo.....					
Philadelphia.....					
Eastern Pennsylvania.....					
Pittsburgh.....					
Cleveland.....					
Youngstown.....					
North Ohio River.....					
Canton, Massillon, Mansfield.....					
South Ohio River.....					
Ohio—all other.....					
Indiana (except Lake County).....					
Chicago.....					
Illinois—all other.....					
Detroit.....					
Michigan—all other.....					
Wisconsin.....					
Minnesota.....					
Iowa.....					
St. Louis.....					
Kansas City.....					
Missouri—all other.....					
North Dakota.....					
South Dakota.....					
Nebraska.....					
Kansas.....					
Delaware.....					
Baltimore.....					
Maryland—all other except 2 counties.....					
District of Columbia.....					
Virginia.....					
West Virginia.....					
North Carolina.....					
South Carolina.....					

¹ Distribution of selected steel products by consuming districts is requested for all shipments direct to consumers excluding exports, f. o. b. mill sales, shipments to other plants or warehouses of the same or affiliated companies, and shipments to jobbers' warehouses. Consuming districts are defined in schedule enclosed with this form.

Distribution and pricing of selected steel products—Continued

Domestic shipments to consuming districts ¹	Tonnage shipped, net or gross tons (state which)	Total invoiced delivered value	Freight charges added to base prices to arrive at invoiced value per column (3)	Actual freight paid or allowed on shipments from mill to destination	Total extras included in invoice delivered value per column (3)
(1)	(2)	(3)	(4)	(5)	(6)
DISTRICT	Tons	Amount in dollars	Amount in dollars	Amount in dollars	Amount in dollars
Georgia.....					
Florida.....					
Kentucky.....					
Tennessee.....					
Birmingham.....					
Alabama—all other.....					
Mississippi.....					
Arkansas.....					
Louisiana.....					
Oklahoma.....					
Texas.....					
Montana.....					
Idaho.....					
Wyoming.....					
Colorado.....					
New Mexico.....					
Arizona.....					
Utah.....					
Nevada.....					
Washington.....					
Oregon.....					
California—southern.....					
California—northern.....					
Total of above items.....					
Other shipments: ²					
Exports.....					
F. o. b. mill sales ³					
Shipments to plants or warehouses of same or affiliated companies ⁴					
Shipments to jobbers' warehouses.....					

² These items need not be repeated on reports for each basing point. It is understood that they *are not to be included* in the distribution of shipments by consuming districts within the United States.

³ "F. o. b. mill sale" means a sale priced at the mill and delivered to the customer at the mill without freight allowance.

⁴ "Affiliated company" means any company described as a parent, subsidiary, or affiliated company in the reporting company's annual reports or in any registration statement filed by it with the Securities and Exchange Commission.

EXHIBIT No. 2191

COMPANIES REPORTING, FORM A

1. By states and consuming districts:

Colorado Fuel and Iron Corporation
 Keystone Steel and Wire Company
 Youngstown Sheet and Tube Company
 Bethlehem Steel Company
 American Rolling Mill Company
 Granite City Steel Company
 Jones and Laughlin Steel Corporation
 Carnegie-Illinois Steel Corporation
 National Tube Company
 American Steel and Wire Company
 Tennessee Coal Iron and Railroad Company
 Columbia Steel Company

2. By states only:

Andrews Steel Company
 Wheeling Steel Corporation
 Continental Steel Corporation
 Allegheny-Ludlum Steel Corporation

Pittsburgh Steel Company
 Weirton Steel Company
 Republic Steel Corporation
 Sharon Steel Corporation
 Great Lakes Steel Corporation
 Follansbee Bros. Company
 Worth Steel Company
 Cohoes Rolling Mill Company
 Detroit Steel Corporation
 McKeesport Tin Plate Corporation
 Empire Sheet and Tin Plate Company
 Lukens Steel Company

3. By sales districts only:

Otis Steel Company
 Mid-States Steel and Wire Company
 Superior Steel Corporation
 Greer Steel Company
 Acme Steel Company
 The Eastern Rolling Mill Company
 J. A. Roebling's Sons Company
 Alan Wood Steel Company
 Inland Steel Company
 McLouth Steel Corporation
 Phoenix Iron Company

COMPANIES REPORTING, FORM B

Acme Steel Company
 Alan Wood Steel Company
 Allegheny-Ludlum Steel Corporation
 American Chain & Cable Company, Inc.
 American Rolling Mill Company
 American Steel & Wire Company
 Andrews Steel Company
 Apollo Steel Company
 Atlantic Steel Company
 Atlantic Wire Company
 Bethlehem Steel Company
 Carnegie-Illinois Steel Corporation
 Central Iron & Steel Company
 Cold Metal Prodes Company
 Colorado Fuel & Iron Corporation
 Continental Steel Corporation
 W. H. Davey Steel Company
 Detroit Steel Corporation
 Empire Sheet & Tin Plate Company
 Follansbee Bros. Company
 Greer Steel Company
 Granite City Steel Company
 Great Lakes Steel Corporation
 Inland Steel Company
 Jones & Laughlin Steel Corporation
 Keystone Steel & Wire Company
 Laclede Steel Company
 Lukens Steel Company
 McKeesport Tin Plate Corporation
 McLouth Steel Corporation
 Mid-States Steel & Wire Company
 Niles Rolling Mill Company
 Northwestern Steel & Wire Company
 Otis Steel Company
 Phoenix Iron Company
 Pittsburgh Steel Company
 Reeves Steel & Manufacturing Company
 Republic Steel Corporation
 J. A. Roeblings Sons Company
 Seneca Wire and Manufacturing Company
 Sharon Steel Corporation

Sheffield Steel Corporation
 Stanley Works, The
 Superior Steel Corporation
 Tenn. Coal Iron & R. R. Company
 Thomas Steel Company
 Washburn Wire Company
 Washington Tin Plate Company
 Weirton Steel Company
 Wheeling Steel Corporation
 Wickwire Bros., The
 Wickwire-Spencer Steel Company
 Wilson Steel & Wire Company
 Worth Steel Company
 Youngstown Sheet & Tube Company

EXHIBIT No. 2192

FORM A or B

60-138-M

AFFIDAVIT

STATE OF----- } ss.:
 County of----- }

On this ----- day of -----, 1939, personally appeared before me -----, to me known and known to me to be the ----- of the ----- Corporation and who by me being duly sworn deposed and acknowledged that he is ----- of the said Corporation, that the accompanying form sheets issued under the authority of the Temporary National Economic Committee, each of which is designated "Form A," were executed under his authority and by his direction, that to the best of his knowledge and belief the statements and figures contained therein, and each of them, are true and accurate and that they were prepared from the records of the said Corporation, regularly made and kept by it in good faith in the conduct of its affairs and for its own use.

[SEAL]

Notary Public.

VERIFICATION

STATE OF----- } ss.:
 County of----- }

-----, being duly sworn, deposes and says that he is an officer, to wit the ----- of the ----- Corporation and that he is authorized to execute and has this day executed the foregoing affidavit and that the averments contained therein, and each of them, are in all respects true.

Corporation/Company.

Signed and sworn to before me this ----- day of -----, 1939.

[SEAL]

Notary Public.

EXHIBIT No. 2193

FORM A or B. CONSUMING DISTRICTS OF THE UNITED STATES

A. Consuming districts coincident with State boundaries: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Minnesota, Iowa, North Dakota, South Dakota, Nebraska, Delaware, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Mississippi, Arkansas, Louisiana, Oklahoma, Texas, Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon.

B. Other consuming districts (Counties included in each district are listed below):

Connecticut: all counties except Fairfield County.

Metropolitan New York:

New York State: Bronx, Kings, Nassau, New York, Queens, Richmond, Rockland, Suffolk, Westchester.

New Jersey: Bergen, Essex, Hudson, Middlesex, Monmouth, Morris, Passaic, Somerset, Union.

Connecticut: Fairfield.

Eastern and central New York:

New York State: Orange, Putnam, Sullivan, Ulster, Dutchess, Columbia, Rensselaer, Broome, Washington, Saratoga, Warren, Essex, Clinton, Cortland, Onondaga, Tompkins, Cayuga, Tioga, Chemung, Schuyler, Yates, Seneca, Albany, Schoenectady, Schoharie, Delaware, Otsego, Madison, Chenango, Green, Franklin, Hamilton, Fulton, Montgomery, Oswego, Ontario, Wayne, Steuben, Herkimer, St. Lawrence, Oneida, Lewis, Jefferson.

Buffalo:

New York State: Niagara, Erie, Catteraugus, Chautauqua, Genesee, Monroe, Orleans, Livingston, Wyoming, Allegany.

Pennsylvania: Erie.

Philadelphia:

Pennsylvania: Bucks, Philadelphia, Montgomery, Chester, Delaware.

New Jersey: Mercer, Hunterdon, Burlington, Camden, Atlantic, Gloucester, Salem, Cumberland, Cape May, Ocean.

Eastern Pennsylvania:

Pennsylvania: Northampton, Monroe, Pike, Wayne, Susquehanna, Lackawanna, Wyoming, Luzerne, Carbon, Columbia, Perry, Dauphin, Northumberland, Snyder, Montour, Union, Lycoming, Sullivan, Bradford, Tioga, Schuylkill, Lehigh, Berks, Lebanon, Lancaster, York, Adams, Potter, Cumberland, Clinton, Center, Mifflin, Juniata, Huntington, Fulton, Franklin, New Jersey: Sussex, Warren.

Pittsburgh:

Pennsylvania: McKean, Elk, Cameron, Clearfield, Jefferson, Clarion, Butler, Armstrong, Bedford, Blair, Venango, Indiana, Cambria, Beaver, Allegheny, Westmoreland, Somerset, Washington, Green, Fayette, Forest, Warren.

Maryland: Allegany, Garrett.

West Virginia: Preston, Monongalia, Marion, Wetzel.

Cleveland:

Ohio: Lorain, Cuyahoga, Lake, Erie, Geauga, Ashtabula, Portage, Summit, Medina, Huron.

Youngstown:

Ohio: Trumbull, Mahoning, Columbiana.

Pennsylvania: Crawford, Mercer, Lawrence.

North Ohio River:

Ohio: Jefferson, Belmont, Monroe, Washington, Noble, Morgan.

West Virginia: Hancock, Brooke, Ohio, Marshall, Tyler, Pleasants, Wood.

Canton-Massillon-Mansfield:

Ohio: Guernsey, Muskingum, Stark, Carroll, Wayne, Ashland, Richland, Harrison, Tuscarawas, Coshocton, Holmes.

South Ohio River:

Ohio: Meigs, Gallia, Lawrence, Athens.

West Virginia: Jackson, Mason, Cabell.

Ohio: All counties in Ohio other than those listed under Cleveland, Youngstown, North Ohio River, Canton-Massillon-Mansfield, and South Ohio River districts.

Indiana: All counties except Lake County.

Chicago:

Illinois: Cook, Du Page, Lake, Kane, Will.

Wisconsin: Kenosha, Racine, Milwaukee.

Indiana: Lake.

Illinois: All counties except Madison and St. Clair Counties and those included under Chicago district.

Detroit:

Michigan: Saint Clair, Macomb, Oakland, Livingston, Lapeer, Ingham, Jackson, Washtenaw, Wayne, Genesee, Hillsdale, Lenawee, Monroe, Shiawassee.

Michigan: All counties except those listed under Detroit district.

Wisconsin: All counties except Kenosha, Racine, and Milwaukee Counties.

St. Louis:

Missouri: St. Louis, St. Louis City, St. Charles.

Illinois: St. Clair, Madison.

Kansas City:

Missouri: Jackson.

Kansas: Wyandotte.

Missouri: All counties except St. Louis, St. Louis City, St. Charles, and Jackson Counties.

Kansas: All counties except Wyandotte County.

Baltimore:

Maryland: Calvert, Anne Arundel, Howard, Carroll, Baltimore, Baltimore City, Harford, Cecile, Kent, Queen Anne, Caroline, Talbot, Dorchester, Wicomico, Somerset, Worcester.

Maryland: All counties except Allegany and Garrett Counties and those listed under Baltimore district.

Birmingham:

Alabama: Jefferson, Etowah, Bibb, Calhoun, St. Clair, Shelby, Tuscaloosa, Blount, Walker.

Alabama: All counties except those listed under Birmingham district.

California, southern:

California: Inyo, San Luis Obispo, Orange, Santa Barbara, Kern, San Bernardino, Ventura, Los Angeles, Riverside, San Diego, Imperial.

California, northern: All counties in California except those listed under California, southern district.

EXHIBIT No. 2194

SUPPLEMENT TO FORM B TABLES

CAUTION.—For Convenience of the Press Only. Not to be Released Until Introduced in the Record.

TABLE 1

This table is presented to indicate the broad outlines of the formal pricing structure for each product analyzed and to indicate how that pricing pattern was altered by the changes in June, 1938.

In general, the elimination of most inter-basing-point price differentials, the reduction of others and the establishment of new basing points may be expected to *increase* the amount of freight absorption and reduce the amount of so-called phantom freight in the distribution of products thus affected as contrasted with what these items would have been prior to June, 1938.

TABLE 2

This table is presented to indicate the extent to which the present basing-point system corresponds with the distribution of capacity.

TABLE 3

This table indicates the distribution by producing areas and by degree of company intergration of the total capacity for each product analyzed, together with the corresponding capacities of plants for which distribution of shipments was reported on Form B. It shows the representativeness of the sample taken.

TABLES 4 AND 4A

On the assumption that shipments will tend to conform to capacity overtime, this table indicates the extent to which relative shipments, by producing areas in February, 1939, may be considered characteristic. The "norm", probably

never attained in a dynamic situation, would be indicated by identical percentages of capacity and of shipments for each producing area. It is not implied that such a norm would be ideal in any economic sense.

TABLES 5 AND 5A

In addition to the more detailed information requested for shipments during February, 1939 on Form B, tonnage distribution of selected products in each of the three years 1936-38 were requested from companies which maintained usable records of such shipments. These tables indicate the relative coverage of the sample of companies reporting (a) by defined districts and (b) by States in terms of 1938 capacity.

TABLES 6 AND 7

The purpose of these tables is to indicate the extent to which the geographic distribution of the product analyzed (i. e., the Form B distribution) in February, 1939 may be considered typical of its usual distribution. The sample of companies and plants reporting on Form A by states differs from that reporting on Form A by districts and both differ from that reporting on Form B. It should also be noted that by reason of the definition of consuming districts, the regions defined by States in Table 6 are not completely identical with those same regions defined by consuming districts (Form A and Form B). Greater stability in geographic distribution might be expected were it possible to remove these sources of variation.

The range of variation is indicated in Table 7. The difference between the maximum percentage of total shipments received by a given consuming area (state or district) in any one of the four periods (1936, 1937, 1938, and February, 1939) and the minimum percentage received in any such period constitutes the range of distribution for the purposes of this table.

TABLE 8

Because of limited staff, it has not been possible to make all the computations necessary for a complete analysis of Form B in each of the 64 consuming districts defined therein. For some purposes, therefore, it has been necessary to sample consuming districts for detailed analysis. This was done on the basis of their importance as measured by tonnage received.

This table shows the percentage of total shipments accounted for by this selection of consuming districts on the following bases: (a) all shipments reported, (b) all shipments reported by plants in producing areas, (c) shipments made by plants in producing areas priced on the various basing points reported by them, (d) all shipments priced on each basing point irrespective of location of source.

TABLE 9

This table indicates the extent to which the shipments received in each of the most important consuming areas were derived from those producing areas which could best serve them as measured by average freight absorption. In areas in which the lowest delivered price was computed from a basing-point at which the quoted price was at a differential above other basing points, freight absorption has been indicated in two ways; (a) unadjusted (that is, the difference between "freight added" and freight allowed), and (b) adjusted (that is, the unadjusted figure minus the differential). If the quoted base price be considered the *true* market price of a steel product and the criterion of a fair price for steel for both buyer and seller, it is obvious that so-called "freight absorption" or "phantom freight" (i. e., negative freight absorption) are concepts of nominal importance only. Where an inter-basing-point price differential exists, the unadjusted freight absorption is nominal whatever one's attitude toward the significance of the base price.

Since each plant reported aggregates only for shipments priced on a given basing point into a given consuming district, it is not possible to show what proportion of such shipments involved an equality between freight added and freight paid, what proportion a freight absorption, and what proportion a phantom freight. The net figure, even for a given reporting plant, is an average.

TABLE 10

This table indicates roughly the extent to which the basing-point formula of pricing was observed on shipments made by each producing area into selected

consuming areas during the month of February, 1939. As such it is a measure of price competition during that period. In interpreting this table, however, several imponderables which may account for the results without questioning the dominance of the formula should be borne in mind: (1) Although February is a middle-of-the-quarter month and there were no announced price changes during the period, some shipments may have been made under long-term contracts at other than current prices; (2) some companies rounded off the tonnage of shipments made to given districts thereby distorting per ton computations where total tonnage shipped was small; (3) errors made in reporting the extras included in the delivered value would throw the computed base price out of line (as, of course, would an error in reporting freight added or delivered value). On the other hand, it should be remembered that these figures are averages and therefore conceal much wider variations in the reports of individual companies.

Since each plant reported its total shipments priced on a given basing point into a given consuming district, together with aggregates for that tonnage of delivered value, extras, etc., it is not possible to show what percentage of the total shipments into a given area were priced in accordance with the formula.

TABLE 11

This table presents the same comparison as that made in Table 10 but on a more general basis. It averages all shipments irrespective of source in accordance with the basing point from which delivered price was computed. It is, of course, subject to the same limitations as Table 10.

TABLE 12

Sales priced on the basing point nearest the location of the mill provide a rough approximation to one concept of the economic market of that mill or group of mills. This conclusion is qualified by the following limitations. (1) It does not apply to mills located away from a basing point although so long as mills are relatively close to a basing point, it may be used as a rough approximation. (See Table 2 above.) (2) It does not strictly define the market for a mill with access to transportation facilities which are cheaper than the all-rail or arbitrary rates employed in computing destination prices. (3) It does not allocate areas which are governed by non-producing basing points or by basing points at which price differentials are maintained over other bases.

With these reservations in mind, Table 12 may be considered a rough indication of the extent to which mills in each producing area sold in their home markets. Average mill nets and average freight absorption (on both an adjusted and an unadjusted basis) are likewise contrasted for sales on the nearest base and sales on all other basing points.

TABLE 13

This table indicates the extent to which plants in a given area supplied the requirements of customers within that same area together with the extent to which those customer requirements could have been supplied by such plants, total shipments remaining unchanged. This table has only limited significance. The more important reservations are the following: (1) Because of the location of plants within any given consuming area, its best market (in terms of distance, freight or mill net) will often be partially in another consuming area in preference to some portions of its own area. Only an adjustment of areas to suit each plant could eliminate this ambiguity. (2) Although a product may be properly classified in a given category, some plants produce special sizes, sections or qualities which are not in direct competition with those of other mills. The natural market for these products is in no sense defined by the districts established in Form B. (3) By reason of peculiarities in the freight-rate structure and the possibilities of cheaper than all-rail transportation, a plant sometimes finds its most advantageous market, in terms of mill net under a delivered price system, at a distance from the mill.

It is not implied that the economic market of a producing area is defined by the consuming area with which it is made to coincide in this table.

TABLES 14 AND 14A

Using the average freight absorption per ton on sales priced on the nearest basing point as a criterion of market areas governed by a given producing area, this table represents the allocation of market areas that would result and the relative participation of each producing area in those market areas. Table 14

is constructed on unadjusted freight absorption, Table 14a on freight absorption adjusted to take into account inter-basing-point price differentials. Aggregate shipments received from all sources by these "governed" areas are indicated in the notes.

The criterion applied in this table is admittedly arbitrary and suffers from defects already noted in connection with Tables 13 and 9. Since average freight absorption on sales priced on the nearest basing point constitutes the minimum freight absorption for the purpose of defining the market area of each producing area, many consuming districts are eliminated entirely from the category of markets for existing producing areas. Most notable is the exclusion of important consuming areas from the markets of the mills located within those areas respectively. In each instance, average freight absorption within these home areas was greater than the average for all sales priced on the nearest basing point.

On the other hand there is duplication of certain consuming districts in the market areas of certain producing areas. This phenomenon results from the following circumstances. (1) Consuming districts are in some instances quite large as measured in freight rates from any given outside point to destinations within that area. (2) Reported shipments to each area are averages of each plant's total shipments to that area priced on a given basing point. (3) Special sizes, sections or qualities produced by a single mill may be priced only on the basing point nearest to that mill irrespective of destination. Thus shipments may be made from Pittsburgh or Bethlehem into Chicago or Birmingham without any freight absorption.

TABLE 15

This table is similar to Table 14 except that the criterion of market area for each producing area is the average mill net per ton received on all shipments priced on the nearest basing point. Aside from defects peculiar to the concept of freight absorption, it is subject to the same reservations as those noted for the former table; notably, duplication of consuming districts in the market areas of some producing areas; and elimination of important consuming areas as marketing areas for plants located in these districts respectively.

TABLES 16 AND 16A

As a measure of one concept of the economic market areas of given producing areas, this table is less subject to ambiguities than those already described. The criterion here applied is the lowest actual freight allowed on shipments from any producing area into a given consuming area. In this sense it is an approximation to a market delineation in terms of actual freight rates from each producing area. It fails to achieve this ideal to the extent that the boundaries of consuming districts do not coincide with the lowest freight rates from any given producing area. Parts of a consuming district, therefore, may be served more economically from a given producing area although the greater portion of that district is more economically supplied from a second producing area even though at an average freight allowance higher than that reported on actual shipments from the former producing area. Nevertheless, in this table, the entire consuming district would have to be allocated to the first area. This criterion has been followed strictly although flagrant instances of probably erroneous allocations have been noted. The actual allocation of consuming districts on this basis is shown in Table 16a.

Percentages indicate the participation of each producing area in the total business of its economic market so defined, the extent to which each producing area concentrated its business within that market, and the extent to which it could have done so, other things equal. The latter percentage assumes that the shipments actually received within the "governed" consuming district were of a type and specification which the producing area was capable of rolling and in a position to roll economically to consumer's requirements with regard to delivery dates.

TABLE 17

This table lists all instances in which shipments into consuming districts were reported as priced on a basing point which could not have governed any portion of that district on the basis of relative freight rates available to the Department of Justice. There are several possible explanations of these exceptional instances:

1. Errors in reporting might arise in several ways:

(a) Although the data shown may be accurate for the shipments involved, they may have been erroneously reported under the wrong basing point.

(b) Actual shipments may have been made out of mill warehouses and freight items computed from that source although the basing point indicated was that governing the original shipment to warehouse.

(c) For products subject to fabrication-in-transit, shipment may have been classified by ultimate destination although all other data were reported as if it were a shipment to fabricator's shop.

(d) Delivered value may have been accepted as the going price and, without checking the freight rate from the governing base, freight from the basing point nearest the mill may have been reported as freight added to arrive at delivered price.

2. Without error in reporting, the shipment may have represented special specifications manufactured only by a given mill and priced by that mill on its own nearest basing point, irrespective of destination. Were this the explanation, the delivered value would be likely to exceed that on shipments from the governing base while freight absorption would be small or absent. Since such special products are not immune from price competition, however, this would not necessarily be true for all such shipments.

TABLE 18

This table lists all instances in which the average computed base price less extras exceeded the quoted base price at the governing basing point. Since any premiums included in the delivered value should have been reported as extras, this result would be expected only in case (1) extras actually included in the delivered value, were not all reported, (2) tonnages shipped were small and were erroneously reported in rounded figures, or (3) errors were made in reporting the freight added or the delivered value.

EXHIBIT No. 2195

Form B Summary—February 1939

	Sheet and Tin Plate Bars ¹	Wire Rods ¹	Plates	Heavy Structural Shapes	Hot Rolled Sheets	Hot Rolled Strip	Cold Rolled Sheets	Cold Rolled Strip	Tin Plate (95# box)	Plain Wire Drawn
Tons shipped ¹	8, 198	27, 141	96, 443	79, 921	190, 910	67, 896	82, 919	17, 728	29, 036	17, 166
Delivered value per ton.....	\$30.36	\$44.96	\$49.25	\$47.57	\$51.68	\$48.58	\$62.42	\$93.64	\$102.46	\$57.98
Tons priced on basing points without published price differential.....	8, 198	21, 276	85, 897	73, 672	148, 410	53, 308	50, 766	9, 301	28, 552	(?)
Calculated base price on sales on basing points without differentials.....	\$29.38	\$39.37	\$41.30	\$40.32	\$38.78	\$39.24	\$58.97	\$60.18	\$100.36	\$50.54
Mill net less extras per ton.....	\$29.06	\$38.48	\$39.58	\$39.26	\$37.82	\$38.55	\$57.47	\$60.44	\$101.37	\$49.08
Extras per ton.....	\$0.05	\$2.56	\$4.02	\$1.89	\$9.70	\$6.04	\$0.45	\$27.79	\$4.02	\$3.96
Extras as percent of delivered value.....	0.2%	5.7%	8.2%	4.0%	18.8%	12.4%	0.7%	29.7%	-3.9%	6.8%
Freight absorption per ton (unadjusted).....	\$0.32	\$1.82	\$2.57	\$1.83	\$1.69	\$1.34	\$2.59	\$1.34	-\$1.06	\$1.47
Freight absorption per ton (adjusted) ²	\$0.32	\$1.31	\$1.54	\$1.12	\$1.21	\$.90	\$1.80	\$0.26	-\$1.09	(?)
Freight absorption as percent of delivered value (unadjusted).....	1.1%	4.0%	5.2%	3.8%	3.3%	2.8%	4.2%	1.4%	-1.0%	2.5%
Freight absorption as percent of delivered value (adjusted) ³	1.1%	2.9%	3.1%	2.4%	2.3%	1.9%	2.9%	0.3%	-1.1%	(?)
Freight paid or allowed per ton.....	\$1.25	\$3.92	\$5.64	\$6.43	\$4.16	\$3.98	\$4.50	\$5.42	\$5.11	\$4.95
Freight added per ton.....	\$.93	\$2.10	\$3.07	\$4.59	\$2.47	\$2.65	\$1.91	\$4.08	\$6.17	\$3.48

¹ Sheet and Tin Plate Bars and Wire Rods are shown in gross tons; all others are in net tons.

² Adjustments for basing point price differentials were not made for this product. Prices are not quoted in the Iron Age for Pacific Ports, Duluth and Detroit. (146 tons were priced on Duluth, 86 tons on Pacific Ports and 1 ton on Detroit.)

³ Adjusted for basing point price differentials over Pittsburgh price.

⁴ Negative extras on tin plate are in part accounted for by the fact that only 95 lb. base boxes were reported. Such sales carry a deduction from the standard 100 lb. base box, as tin plate extras are quoted by the base box and not by a unit of weight.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

EXHIBIT No. 2196

Published Base Prices, February 1939

[Prices per net ton except Sheet Bars and Wire Rods]

Basing point	Product									
	Sheet Bars (Per gross ton)	Wire Rods ¹ (Per gross ton)	Plates	Heavy Structural Shapes	Hot Rolled Sheets	Hot Rolled Strips	Cold Rolled Sheets	Cold Rolled Strip	Tin Plate ³	Plain Drawn Wire ⁴
Pittsburgh, Pennsylvania.....	34.00	43.00	42.00	42.00	43.00	43.00	64.00	59.00	100.00	52.00
Chicago, Illinois.....	34.00	43.00	42.00	42.00	43.00	43.00	64.00	61.00	100.00	52.00
Gary, Indiana.....			42.00	42.00	43.00	43.00	64.00		100.00	
Cleveland, Ohio.....	34.00	43.00	42.00		43.00	43.00	64.00	59.00		52.00
Youngstown, Ohio.....	34.00		42.00		43.00	43.00	64.00	59.00		
Birmingham, Alabama.....		43.00	42.00	42.00	43.00	43.00				52.00
Buffalo, New York.....	34.00			42.00	43.00		64.00			
Sparrows Point, Maryland.....	34.00		42.00		43.00					
Middletown, Ohio.....					43.00	43.00	64.00			
Coatesville, Pennsylvania.....			42.00							
Claymont, Delaware.....			42.00							
Bethlehem, Pennsylvania.....				42.00						
Worcester, Massachusetts.....		45.00						63.00		
Canton, Ohio.....	34.00									
San Francisco, California.....		52.00								
Granite City, Illinois.....					45.00		66.00		102.00	
Gulf Ports.....			49.00	49.00						
Pacific Ports.....			52.00	54.00	53.00		76.00			
Detroit, Michigan ²					45.00	45.00	66.00	61.00		

¹ Rods over 9/32 in. or 47/64 in., inclusive, \$5.06 a ton over base.² A delivered price (not a basing point).³ Sold in base boxes (100 lb. base box used as the standard).⁴ Bright Wire to the manufacturing trade in carload lots.

Source: The Iron Age.

EXHIBIT No. 2197

TABLE 1.—*Heavy Structural Shapes: Basing Points and Basing Point Prices, May 1938 and February 1939*

[Prices per net ton]

Basing point	May 1938		February 1939	
	Base price	Differential over Pittsburgh	Base price	Differential over Pittsburgh
Pittsburgh.....	\$45.00	\$0.00	\$42.00	\$0.00
Chicago-Gary ¹	46.00	1.00	42.00	0.00
Buffalo.....	47.00	2.00	42.00	0.00
Bethlehem.....	47.00	2.00	42.00	0.00
Birmingham.....	48.00	3.00	42.00	0.00
Gulf Ports.....	53.00	8.00	49.00	7.00
Pacific Ports.....	56.00	11.00	54.00	12.00
Cleveland.....	49.00	4.00	(?)	-----

¹ Gary not listed as a basing point in May 1938 issues of the Iron Age.² Not listed as a basing point by February 1939 issues of the Iron Age.

Source: The Iron Age (all issues in the months listed).

TABLE 2.—*Heavy Structural Shapes: Distribution of Capacity by Distance from the Nearest Basing Point*

Distance from Nearest Basing Point (air miles) ¹	Capacity (1,000 gross tons) ²	Percent of Total Capacity
Total United States.....	3,667.4	100.0
0-25.....	³ 3,120.9	85.1
26-50.....	403.0	11.0
51-100.....	13.5	0.4
Over 100.....	130.0	3.5

¹ Includes all basing points listed in the Iron Age after the change in basing points in June 1938.

² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938 and the Iron Age. (The directory did not list Carnegie-Illinois Steel Corporation capacity separately by product for each plant. Thus an estimate was required for capacity at Pencoyd, Pennsylvania. This capacity was estimated at 140,000 gross tons.)

³ Includes 68,700 gross tons on the Pacific Coast.

TABLE 3.—*Heavy Structural Shapes: Distribution of Total Capacity in the United States and Form B Sampled Capacity by Producing Areas*

Producing area ¹	Total U. S. Capacity ²		Estimated Capacity Sampled	
	(1,000 gross tons)	Percent of total	(1,000 gross tons)	Percent of total capacity sampled
Total United States.....	3667.4	100.0	³ 2932.0	79.9
Integrated ⁴	3517.4	95.9	2782.0	79.1
Semi-integrated.....	150.0	4.1	150.0	100.0
Non-integrated.....				
Eastern Pennsylvania and Philadelphia.....	⁵ 1,090.0	29.7	950.0	87.2
Pittsburgh.....	1,018.7	27.8	550.0	63.8
Chicago.....	927.5	25.3	783.0	84.4
Buffalo.....	215.0	5.8	215.0	100.0
North Ohio River.....	113.0	3.1	113.0	100.0
St. Louis.....	110.0	3.0	110.0	100.0
Birmingham.....	91.0	2.5	91.0	100.0
Colorado.....	20.0	0.5	20.0	100.0
Areas not in the sample:				
Youngstown.....	13.5	0.4		
California (northern and southern).....	46.7	1.3		
Washington.....	22.0	0.6		

¹ Producing areas conform to Form B consuming areas.

² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938.

³ Of the capacity sampled 94.9 percent represented integrated companies and 5.1 percent semi-integrated companies.

⁴ Degree of integration here used is company integration (not plant).

⁵ Includes 140,000 gross tons estimated capacity at Pencoyd, Pennsylvania. (not listed separately in the directory)

⁶ Estimated capacity at Munhall, Pennsylvania. (not listed separately in the Directory)

TABLE 4.—*Heavy Structural Shapes: Estimated Sampled Capacity by Producing Area and Shipments by Producing Area*

Producing area ¹	Capacity Sampled ²		February 1939 Shipments ³	
	Tonnage (1,000 gross tons)	Percent of sampled capacity	Tonnage (Net tons)	Percent of total shipments
Total.....	2,932.0	100.0	79,921	100.0
Eastern Pennsylvania and Philadelphia.....	950.0	32.4	22,957	28.3
Chicago.....	783.0	26.7	20,355	25.5
Pittsburgh.....	650.0	22.2	45,437	19.3
Buffalo.....	215.0	7.3	10,260	12.8
North Ohio River.....	113.0	3.8	2,550	3.2
St. Louis.....	110.0	3.8	1,151	1.4
Birmingham.....	91.0	3.1	4,240	5.3
Colorado.....	20.0	0.7	2,971	3.7

¹ Producing areas conform to Form B consuming areas.

² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938.

³ Compiled from the Temporary National Economic Committee questionnaire Form B, Feb. 1939.

⁴ Estimated capacity at Munhall, Pa. (not listed separately in the Directory).

TABLE 5.—*Heavy Structural Shapes: Distribution of Total Capacity and Form A Sampled Capacity by Producing Area (District Sample) 1938*

Producing Area ¹	Total U. S. Capacity ²	Capacity Sampled	
	Tonnage (1,000 G. T.)	Tonnage (1,000 G. T.)	Percent Sampled by Producing Area
Total United States.....	3,667.4	2,969.4	81.0
Eastern Pennsylvania and Philadelphia.....	⁴ 1,090.0	800.0	73.4
Pittsburgh.....	1,018.7	1,018.7	100.0
Chicago.....	927.5	742.5	80.1
Buffalo.....	215.0	215.0	100.0
North Ohio River.....	113.0		
St. Louis.....	110.0		
Birmingham.....	91.0	91.0	100.0
California ³	46.7	46.7	100.0
Washington.....	22.0	22.0	100.0
Colorado.....	20.0	20.0	100.0
Youngstown.....	13.5	⁵ 13.5	100.0

¹ Producing areas conform to Form B Consuming Areas.² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938.³ Includes Northern and Southern California.⁴ Includes 140,000 G. T. estimated capacity at Pencoyd, Pennsylvania.⁵ Company sampled but no shipments were reported for this product.TABLE 5A.—*Heavy Structural Shapes: Distribution of Total Capacity and Form A Sampled Capacity by States (State Sample) 1938*

State	Total U. S. Capacity (1,000 gross tons) ¹	Capacity Sampled	
		(1,000 gross tons)	Percent Sam- pled by state
Total United States.....	3,667.4	3,082.4	84.0
Pennsylvania.....	2,018.7	1,818.7	86.2
Illinois.....	628.0	613.0	97.6
Indiana.....	299.5	129.5	43.2
New York.....	215.0	215.0	100.0
West Virginia.....	113.0	² 113.0	100.0
Missouri.....	110.0		
Alabama.....	91.0	91.0	100.0
California.....	46.7	46.7	100.0
Washington.....	22.0	22.0	100.0
Colorado.....	20.0	20.0	100.0
Ohio.....	13.5	13.5	100.0

¹ Iron and Steel Works Directory of the United States and Canada, 1938.² Report is not included in calculations for tables 6 & 7.³ Company was sampled but no shipments were reported for this product.

TABLE 6.—*Heavy Structural Shapes: Relative Stability of Tonnage Distribution by Consuming Region, 1936, 1937, 1938 and February 1939*

Region	Form A distribution by states			Form A distribution by consuming district			Form B distribution
	1936	1937	1938	1936	1937	1938	Feb. 1939
All regions (net tons).....	1,661,615	1,853,461	956,214	1,727,984	1,941,706	984,428	79,921
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North Eastern ¹	35.7	35.3	37.4	34.0	32.5	34.9	35.0
North Central ²	34.2	35.3	27.0	36.7	38.9	30.0	30.8
West Central ³	6.0	5.3	5.9	6.3	5.6	6.3	8.5
South Eastern ⁴	6.2	6.3	10.1	5.9	6.1	9.9	7.4
South & Southwestern ⁵	10.7	11.4	13.3	10.3	10.9	12.8	12.9
Mountain & Western ⁶	7.2	6.4	6.3	6.8	6.0	6.1	5.4

¹ Includes following states and consuming districts: Maine, N. H., Vt., Mass., R. I., Conn., N. Y., N. J., Pa., Metropolitan N. Y., Eastern & Central N. Y., Buffalo, Phila., Eastern Pa., *Pittsburgh*.

² Includes following states and consuming districts: Ohio, Ind., Ill., Mich., Wis., Minn., Cleve., Youngstown, N. Ohio River, Cant.-Mans., S. Ohio River, Ohio—other, *Chicago*, Ill.—other, Detroit, Mich.—other.

³ Includes following states and consuming districts: Iowa, Mo., N. Dak., S. Dak., Nebr., Kans., *St. Louis*, Kans. City, Mo.—other.

⁴ Includes following states and consuming districts: Md., D. C., Va., W. Va., N. C., S. C., Ga., Fla., Baltimore, Md.—other, Delaware.

⁵ Includes following states and consuming districts: Ky., Tenn., Ala., Miss., Ark., La., Okla., Tex., Birmingham, Ala.—other.

⁶ Includes following states and consuming districts: Mont., Idaho, Wyo., Col., N. Mex., Ariz., Utah, Nev., Wash., Ore., *California*, *Northern California*, Southern California.

Note: Each region is defined by the areas listed, eliminating duplications. The most important states and consuming districts have been italicized.

TABLE 7.—*Heavy Structural Shapes: Range of Variation of Tonnage Distribution in Consuming States and Consuming Districts, 1936, 1937, 1938 and February 1939*

[Range of distribution of percentages by areas]

Range	Form A: 1936-1938 inclusive		Forms A & B: 1936-1938 inclusive and February 1939
	By 49 states: ¹ Number of states	By 64 districts: Number of districts	By 64 districts: Number of districts
Over 5.0.....			2
2.1-5.0.....	2	6	6
1.1-2.0.....	5	2	9
0.6-1.0.....	6	5	10
0.5 or under.....	36	51	36
Total.....	49	64	64

¹ Includes the District of Columbia.

Source: Compiled from Temporary National Economic Committee Forms A and B.

TABLE 8.—*Heavy Structural Shapes: Selected Consuming Areas for Detailed Analysis, February 1939*

Producing Area ¹	Basing Point ²	All Consuming Areas (net tons received)	Selected Consuming Areas (net tons received ³)	Percent of all Consuming Areas Receipts
All areas.....	All basing points.....	79,921	52,467	65.6
Chicago.....	All basing points.....	20,355	12,683	62.2
	Pittsburgh.....	472	439	93.0
	Chicago-Gary.....	18,157	12,209	67.2
	Birmingham.....	83	15	18.1
	Buffalo.....	207	207	100.0
	Gulf Ports.....	1,173	979	83.5
St. Louis.....	All basing points.....	1,151	823	71.5
	Chicago-Gary.....	1,083	801	74.0
	Birmingham.....	68	22	32.4
Pittsburgh.....	All basing points.....	15,437	9,832	63.7
	Pittsburgh.....	5,499	3,531	64.2
	Chicago-Gary.....	2,524	2,270	89.9
	Birmingham.....	51	9	17.3
	Buffalo.....	959	889	92.7
	Bethlehem.....	4,738	2,730	57.6
	Gulf Ports.....	414	403	97.3
Buffalo.....	All basing points.....	10,260	6,555	63.9
	Pittsburgh.....	2,693	1,195	44.4
	Chicago-Gary.....	4,764	3,084	64.7
	Buffalo.....	2,084	1,852	88.9
	Bethlehem.....	171	142	83.0
	Gulf Ports.....	282	282	100.0
Eastern Pennsylvania and Philadelphia.....	All basing points.....	22,957	17,081	74.4
	Pittsburgh.....	675	212	31.4
	Chicago-Gary.....	400	194	48.5
	Birmingham.....	299	1	0.3
	Buffalo.....	449	349	77.7
	Bethlehem.....	20,244	15,765	77.9
	Gulf Ports.....	427	427	100.0
Birmingham.....	All basing points.....	4,240	1,515	35.7
	Chicago-Gary.....	96	35	36.5
	Birmingham.....	3,337	1,056	31.6
	Gulf Ports.....	424	424	100.0
Colorado.....	All basing points.....	2,971	1,175	39.5
	Birmingham.....	199	199	100.0
	Gulf Ports.....	976	976	100.0
North Ohio River.....	All basing points.....	2,550	1,770	69.4
	Pittsburgh.....	2,072	1,405	67.8
	Chicago-Gary.....	93	56	60.2
	Buffalo.....	211	199	94.3
	Bethlehem.....	125	110	88.0
All producing areas.....	Pittsburgh.....	11,411	6,782	59.4
	Chicago-Gary.....	28,753	18,649	64.9
	Birmingham.....	4,213	1,302	30.9
	Buffalo.....	3,910	3,496	89.4
	Bethlehem.....	25,385	18,747	73.9
	Gulf Ports.....	3,696	3,491	94.5
	Pacific Points.....	2,553	0	0.0

¹ Producing areas conform to Form B consuming areas.² Lists only those basing points reported as governing the selected consuming areas.³ Consuming areas receiving 2% or more of total shipments. Areas selected were: Metropolitan New York, Buffalo, Philadelphia, Eastern Pennsylvania, Pittsburgh, Ohio—other, Indiana—other, Chicago, Illinois—other, Detroit, Iowa, St. Louis, Birmingham, Texas.

Source: Compiled from Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 9.—Heavy Structural Shapes: Freight Absorption in Shipments to Selected 1 Consuming Areas February 1939

Selected Consuming Area 1	Shipments from "Governing" Producing Area 2					Shipments from Other Producing Areas		
	Total net tons shipped to consuming area	Freight absorption on all shipments to area	Producing Area	Net tons shipped	Percent of total shipments to area	Freight absorption per net ton	Net tons shipped	Percent of shipment to area
Metropolitan New York	10,227	\$0.63	Eastern Pennsylvania & Philadelphia	8,708	85.1%	0.08	1,519	14.9
Buffalo	1,652	1.43	Buffalo	1,014	60.3	-0.04	1,668	39.7
Philadelphia	4,328	0.46	Eastern Pennsylvania & Philadelphia	3,453	79.8	-0.39	875	20.2
Eastern Pennsylvania	4,147	0.65	Eastern Pennsylvania & Philadelphia	3,553	85.6	0.13	594	14.4
Pittsburgh	2,824	1.52	Pittsburgh	2,478	51.4	0.40	2,346	48.6
Ohio, other	2,354	0.53	North Ohio River	2,242	10.3	-0.07	2,112	89.7
Indiana, other	3,294	1.41	Chicago	1,572	47.7	0.22	1,722	52.3
Chicago	8,333	2.11	Chicago	5,660	67.9	0.43	2,673	32.1
Illinois, other	1,678	0.35	Buffalo	1,572	93.7	0.02	1,103	6.3
Detroit	2,276	1.25	Buffalo	1,882	38.8	0.11	1,394	61.2
Iowa	2,211	1.25	Chicago	1,702	77.0	0.07	1,509	23.0
St. Louis	1,702	0.29	St. Louis 3	434	25.5	-4.42	1,268	74.5
Birmingham	1,623	0.12	Birmingham	1,017	62.7	0.08	1,606	37.3
Texas	3,788	9.42	St. Louis 3	22	0.6	-63	3,766	99.4
Texas adjusted for differential 4	(3,788)	(2.97)	St. Louis 3	(22)	(0.6)	(-63)	(3,766)	(99.4)
Total above areas	52,467	1.62		32,309	61.6	.05	20,158	38.4
Total adjusted for differential 4	(52,467)	(1.16)		(32,309)	(61.6)	(.05)	(20,158)	(38.4)

1 Consuming areas receiving 2 percent or more of total shipments, February 1939.

2 The governing producing area is that area having the lowest freight absorption on shipments to the consuming area listed.

3 Total shipments made by plants in this area were less than total shipments received by the coincident consuming area alone. (See Table 13.) Therefore implication that plants in this area should serve the consuming area noted is not justified.

4 Texas, unlike other selected areas, is in part governed by a basing point carrying a differential of \$7.00 per ton over other eastern basing points. This accounts in part for high freight absorption.

Source: Compiled from Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 10.—*Heavy Structural Shapes: Comparison of Computed Base Prices with Published Base Price in Selected Areas, February 1939*

Selected Consuming Areas ¹	Reported basing points	Published base price ²	Computed base prices on shipments from producing areas ³							
			Eastern Pennsylvania and Philadelphia	Chicago	Pittsburgh	Buffalo	Birmingham	Colorado	North Ohio River	St. Louis
Metropolitan New York.....	Bethlehem.....	42.0	40.30	-----	41.53	40.73	-----	-----	40.22	-----
Chicago.....	Chicago-Gary.....	42.00	43.45	39.86	42.09	40.89	-----	-----	-----	-----
	Pittsburgh.....	42.00	*43.50	-----	-----	-----	-----	-----	-----	-----
	Pittsburgh.....	42.00	42.02	43.25	39.08	40.19	-----	-----	46.20	-----
	Buffalo.....	42.00	-----	-----	-----	42.07	-----	-----	42.18	-----
	Bethlehem.....	42.00	41.25	-----	-----	-----	-----	-----	-----	-----
Philadelphia.....	Bethlehem.....	42.00	41.30	-----	40.82	40.62	-----	-----	40.48	-----
Eastern Pennsylvania.....	Bethlehem.....	42.00	39.84	-----	41.92	41.35	-----	-----	-----	-----
	Buffalo.....	42.00	*37.50	-----	-----	-----	-----	-----	-----	-----
	Pittsburgh.....	42.00	-----	-----	44.16	-----	-----	-----	-----	-----
Texas.....	Gulf Ports.....	49.00	48.03	48.94	48.98	49.26	46.70	43.88	-----	-----
	Chicago-Gary.....	42.00	41.40	41.40	-----	-----	*40.50	-----	-----	-----
	Birmingham.....	42.00	41.73	42.11	-----	-----	45.26	40.85	-----	38.41
	Bethlehem.....	42.00	*42.75	-----	-----	-----	-----	-----	-----	-----
Indiana, all other.....	Chicago-Gary.....	42.00	43.43	41.09	42.72	39.63	-----	-----	-----	36.08
	Pittsburgh.....	42.00	41.14	-----	-----	-----	-----	-----	-----	-----
Ohio, all other.....	Pittsburgh.....	42.00	*50.50	40.69	41.97	41.54	-----	-----	-----	-----
	Chicago-Gary.....	42.00	40.20	40.89	41.06	41.72	-----	-----	40.63	-----
Detroit.....	Chicago-Gary.....	42.00	40.17	33.95	36.05	40.27	-----	-----	37.82	-----
	Buffalo.....	42.00	41.45	39.96	39.80	40.80	-----	-----	41.82	-----
Iowa.....	Chicago-Gary.....	42.00	42.56	39.80	40.35	41.04	-----	-----	-----	-----
	Pittsburgh.....	42.00	43.08	-----	40.68	-----	-----	-----	-----	-----
St. Louis.....	Chicago-Gary.....	42.00	43.15	40.62	42.91	38.94	41.71	-----	37.66	39.00
	Pittsburgh.....	42.00	-----	-----	42.57	-----	-----	-----	-----	-----
	Buffalo.....	42.00	41.32	-----	41.29	41.05	-----	-----	40.30	-----
	Bethlehem.....	42.00	42.21	-----	-----	-----	-----	-----	-----	-----
Illinois, all other.....	Chicago-Gary.....	42.00	-----	40.64	42.04	42.31	-----	-----	-----	42.30
Birmingham.....	Birmingham.....	42.00	*65.00	-----	-----	-----	38.13	-----	-----	-----
	Pittsburgh.....	42.00	-----	-----	35.04	-----	-----	-----	-----	-----
	Chicago-Gary.....	42.00	40.20	33.38	-----	-----	-----	-----	-----	-----

¹ Consuming areas receiving 2 percent or more of the total shipment.² As listed by all February 1939 issues of the Iron Age.³ Producing areas conform to Form B Consuming Areas, February 1939.

*Represents shipments of less than 5 net tons.

Source: Compiled from Temporary National Economic Committee Form B Questionnaire, February 1939.

TABLE 11.—*Heavy Structural Shapes: Published Base Prices and Calculated Form B Base Prices By Basing Points, February 1939*

Basing Point	Published base price ¹	Calculated base price ²	Basing Point	Published base price ¹	Calculated base price ²
	<i>Per net ton</i>	<i>Per net ton</i>		<i>Per net ton</i>	<i>Per net ton</i>
Pittsburgh.....	\$42.00	\$39.50	Birmingham.....	\$42.00	\$40.47
Chicago-Gary.....	42.00	40.09	Gulf Ports.....	49.00	47.30
Buffalo.....	42.00	40.92	Pacific Ports.....	54.00	54.38
Bethlehem.....	42.00	40.78			

¹ Source: All February 1939 issues of the Iron Age.² Computed from Temporary National Economic Committee Form B questionnaire, February 1939.

TABLE 12.—Heavy Structural Shapes: Total Sales by Grouped Mills in Each Producing Area on Nearest Basing Point and on All Other Basing Points, February 1939

Producing Area	Nearest Basing Point	Net Tons Sold				Mill Net Less Extras Per Net Ton			Freight Absorption Per Net Ton		
		On all basing points	On nearest basing point	On other than nearest basing point	Percent sold on nearest basing point	Percent sold on other than nearest basing point	On sales on all basing points	On sales on nearest basing point	On sales on other than nearest basing point	On sales on all basing points	On sales on nearest basing point
All Areas		79,921	54,112	25,809	67.7%	32.3%	\$39.26	\$38.96	\$37.79	\$1.83 (1.12)	\$0.05
Eastern Pennsylvania, Philadelphia	Bethlehem	22,957	20,244	2,713	88.2	11.8	40.36	40.69	38.54	0.70 (0.33)	-0.01
Chicago	Chicago-Gary	20,355	18,157	2,198	89.2	10.8	39.62	39.75	38.54	1.05 (0.53)	0.19
Pittsburgh, North Ohio River	Pittsburgh	17,987	7,571	10,416	42.1	57.9	38.17	39.07	38.01	3.22 (2.22)	0.40
Buffalo	Buffalo	10,260	2,084	8,176	20.3	79.7	37.92	40.95	37.15	3.25 (2.90)	0.01
Birmingham	Birmingham	4,240	3,337	903	78.7	21.3	39.48	39.49	39.45	3.05 (1.43)	0.91
Colorado	Chicago-Gary	2,971	1,636	1,335	55.1	44.9	38.85	41.08	36.14	2.41 (-0.54)	-2.48
St. Louis	Chicago-Gary	1,151	1,083	68	94.1	5.9	40.25	40.31	39.32	-2.31 (-2.31)	-2.37
											\$5.57 (3.38)

† Producing areas conform to Form B consuming areas

‡ Figures in parentheses are adjusted by correcting for price differentials of \$7.00 per ton on sales on Gulf Port basing points and \$12.00 on sales on Pacific Port basing points.

Source: Compiled from Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 13.—*Heavy Structural Shapes: Shipments Received Compared to Shipments Made by Producing Areas, February 1939*

Producing area ¹	Total shipments made by plants in producing area	Shipments received in producing areas			
		Total received in producing areas	Received from plants in identical area	Percent received from plants in identical area	Total received in area as percent of total shipments from the area
All producing areas.....	79,921	39,335	29,497	75.0	49.2
Pittsburgh, North Ohio River, Youngstown.....	17,987	6,669	5,038	75.5	37.1
Chicago.....	20,355	8,333	5,660	67.9	40.9
St. Louis.....	1,151	1,702	434	25.5	147.9
Eastern Pennsylvania, Philadelphia, Metropolitan New York.....	23,337	18,702	15,714	84.0	80.1
Birmingham, Alabama—other.....	3,860	2,247	1,345	59.9	58.2
Buffalo.....	10,260	1,682	1,014	60.3	9.9
Colorado.....	2,971	578	292	50.5	19.5

¹ Producing areas conform to Form B consuming areas. When major consuming areas are contiguous to producing areas they also have been included as indicated in the stub.

Source: Compiled from Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 14.—*Heavy Structural Shapes: Analysis of the Market Areas of Grouped Plants as Measured by the Freight Absorption on Shipments Priced on the Nearest Basing Point February 1939*

Producing areas ⁹	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which freight absorption is:				
		Net tons	Freight absorption per ton	Net tons	Freight absorption per ton	Equal to or less than standard ¹		Greater than standard ¹		
						Net tons	Freight absorption per net ton	Net tons	Percent of total shipments	Freight absorption per net ton
Eastern Pennsylvania, Philadelphia.....	Bethlehem.....	22,957	0.70	20,244	—0.01	5,718	² —0.33	17,239	75.1	1.05
Chicago.....	Chicago-Gary.....	20,355	1.06	18,157	0.19	8,472	³ 0.01	11,883	58.4	1.82
Pittsburgh, Youngstown, North Ohio River.....	Pittsburgh.....	17,987	3.22	7,571	0.40	2,873	⁴ 0.11	15,114	84.0	3.81
Buffalo.....	Buffalo.....	10,260	3.25	2,084	0.01	1,014	⁵ —0.04	9,246	90.1	3.61
Birmingham.....	Birmingham.....	4,240	3.05	3,337	.91	1,543	⁶ 0.20	2,697	63.6	4.67
Colorado.....	Chicago-Gary.....	2,971	2.41	1,636	—2.48	523	⁷ —10.74	2,448	82.4	5.22
St. Louis.....	Chicago-Gary.....	1,151	—2.31	1,083	—2.37	446	⁸ —4.38	705	61.3	—0.10
Total.....		79,921	1.83	54,112	0.05	20,589	—0.43	59,332	74.2	2.63

¹ Standard freight absorption for each producing area is the freight absorption on sales on the nearest basing point.

² Comprises shipments to: Philadelphia, Delaware, Baltimore, District of Columbia, Virginia. (aggregate tons received in areas listed—7,185)

³ Comprises shipments to: South Ohio River, Illinois-other, Detroit, Michigan-other, Wisconsin, Iowa, St. Louis, Kansas City, North Dakota, South Dakota, Nebraska, Kansas, Kentucky, Birmingham, Alabama-other, Oklahoma, Montana, Idaho, Colorado, Utah, Nevada. (aggregate tons received in areas listed—17,080)

⁴ Comprises shipments to: Cleveland, North Ohio River, Canton-Mansfield, Ohio-other, West Virginia, Kentucky, Birmingham, Youngstown, Detroit. (aggregate tons received in areas listed—10,419)

⁵ Comprises shipments to: Buffalo only. (aggregate tons received in area listed—1,682)

⁶ Comprises shipments to: Kentucky, Tennessee, Birmingham. (aggregate tons received in areas listed—2,987)

⁷ Comprises shipments to: Montana, Wyoming, Colorado, New Mexico, Utah. (aggregate tons received in areas listed—913)

⁸ Comprises shipments to: St. Louis, Missouri-other. (aggregate tons received in areas listed—2,210)

⁹ Producing areas indicated are the same as Form B consuming areas.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 14 A.—*Heavy Structural Shapes: Analysis of the Market Areas of Grouped Plants as Measured by the Freight Absorption on Shipments Priced on the Nearest Basing Point (Adjusted for Basing Point Price Differentials) February 1939*

Producing areas ²	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which freight absorption is:				
		Net tons	Freight absorption per ton	Net tons	Freight absorption per ton	Equal to or less than standard ¹		Greater than standard ¹		
						Net tons	Freight absorption	Net tons	Per cent of total shipments	Freight absorption
Eastern Penn- sylvania, Phil- adelphia.	Bethlehem....	22,957	0.33	20,244	-0.01	5,925	² - .32	17,032	74.2	.56
Chicago.....	Chicago-Gary	20,355	0.53	18,157	0.19	9,061	³ 0.01	11,294	55.5	.96
Pittsburgh, Youngstown, N. Ohio River.	Pittsburgh....	17,987	2.22	7,571	0.40	2,873	⁴ 0.11	15,114	84.0	2.62
Buffalo.....	Buffalo.....	10,260	2.90	2,084	0.01	1,014	⁵ -0.04	9,246	90.1	3.22
Birmingham....	Birmingham....	4,240	1.43	3,337	.91	1,543	⁶ 0.20	2,697	63.6	2.13
Colorado.....	Chicago-Gary	2,971	-0.54	1,636	-2.48	638	⁷ -10.21	2,333	78.5	2.11
St. Louis.....	Chicago-Gary	1,151	-2.31	1,083	-2.37	446	⁸ -4.38	705	61.3	-0.10
All producing areas.	.....	79,921	1.12	54,112	0.05	21,500	-0.45	58,421	73.1	1.71

¹ Standard freight absorption for each producing area is the freight absorption on sales on the nearest basing point.

² Comprises shipments to:—Philadelphia, Delaware, Baltimore, D. C., Virginia, Southern California. (aggregate tons received in areas listed—8201)

³ Comprises shipments to:—South Ohio River, Illinois, other, Detroit, Michigan, other, Wisconsin, Iowa, St. Louis, Kansas City, North Dakota, South Dakota, Nebraska, Kansas, Kentucky, Birmingham, Alabama, other, Oklahoma, Montana, Idaho, Colorado, Utah, Nevada, Washington, Mississippi. (aggregate tons received in areas listed—18,103)

⁴ Comprises shipments to:—Cleveland, North Ohio River, Canton-Mansfield, Ohio, other, West Virginia, Kentucky, Birmingham, Youngstown, Detroit. (aggregate tons received in areas listed—10,419)

⁵ Comprises shipments to:—Buffalo only. (aggregate tons received in areas listed—1,682)

⁶ Comprises shipments to:—Kentucky, Tennessee, Birmingham. (aggregate tons received in areas listed—2,987)

⁷ Comprises shipments to:—Montana, Wyoming, Colorado, New Mexico, Utah. (aggregate tons received in areas listed—913)

⁸ Comprises shipments to:—St. Louis, Missouri, other, Arizona. (aggregate tons received in areas listed—2,345)

⁹ Producing areas indicated are the same as Form B consuming areas.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 15.—*Heavy Structural Shapes: Analysis of the Market Areas of Grouped Plants as Measured by the Mill Net on Shipments Priced on the nearest Basing Point* February 1939*

Producing area ¹	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which mill net is:					
		Net tons	Mill net per ton	Net tons	Mill net per ton	Less than standard ¹			Equal to or greater than standard ¹		
						Net tons	Per cent of total shipments	Mill net per ton	Net tons	Mill net per ton	
Eastern Pennsylvania, Philadelphia.....	Bethlehem.....	22,957	\$40.36	20,244	\$40.60	14,687	64.0	\$39.74	7,820	\$41.45	
Chicago.....	Chicago-Gary.....	20,355	39.62	18,157	39.75	11,566	56.8	38.91	8,789	40.55	
Pittsburgh, Youngstown, North Ohio River.....	Pittsburgh.....	17,987	38.17	7,571	39.07	13,450	74.8	37.29	4,537	40.75	
Buffalo.....	Buffalo.....	10,260	37.92	2,084	40.95	9,246	90.1	37.57	1,014	41.09	
Birmingham.....	Birmingham.....	4,240	39.48	3,337	39.49	1,785	42.1	38.32	2,455	40.33	
Colorado.....	Chicago-Gary.....	2,971	38.85	1,636	41.08	2,333	78.5	36.09	7,638	48.94	
St. Louis.....	Chicago-Gary.....	1,151	40.25	1,083	40.31	669	58.1	37.99	482	43.38	
Total.....	.....	79,921	39.26	54,112	40.05	53,736	67.2	38.35	26,185	41.13	

¹ Standard mill net for each producing area is the mill net received on sales on nearest basing point.

² Comprises shipments to: Maine, New Hampshire, Massachusetts, Connecticut, Eastern & Central New York, Philadelphia, Missouri-other, Delaware, Baltimore, Maryland-other, District of Columbia, Virginia, North Carolina, Southern California. (aggregate tons received in areas named, 12,826)

³ Comprises shipments to: North Ohio River, South Ohio River, Ohio-other, Indiana-other, Illinois-other, Michigan-other, Minnesota, St. Louis, Kansas City, Missouri-other, North Dakota, South Dakota, Nebraska, Kansas, Georgia, Florida, Kentucky, Tennessee, Alabama-other, Arkansas, Montana, Idaho, Colorado, Arizona, Utah, Nevada, Washington, Northern California. (aggregate tons received in areas listed, 20,798)

⁴ Comprises shipments to: New Hampshire, Massachusetts, Eastern & Central New York, Cleveland, North Ohio River, Canton-Mansfield, etc., South Ohio River, Ohio, Baltimore, Maryland-other, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Kentucky, Tennessee, Alabama-other, Oklahoma, Colorado. (aggregate tons received in areas listed—19,402)

⁵ Comprises shipments to: Buffalo. (aggregate tons received in area—1,682)

⁶ Comprises shipments to: Missouri-other, North Carolina, South Carolina, Georgia, Florida, Kentucky, Tennessee, Birmingham, Alabama-other, Arkansas, Louisiana, Oregon, Northern California. (aggregate tons received in area—9,380)

⁷ Comprises shipments to: Montana, Colorado, Wyoming, Arizona, New Mexico, Utah. (aggregate tons received in areas listed—1,049)

⁸ Comprises shipments to: Indiana, Illinois, other, Kansas City, Nebraska, Kansas, Arkansas, Texas. (aggregate tons received in areas listed—11,029)

⁹ Producing areas listed are the same as Form B consuming areas.

* Mill net as used here is mill net less extras.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 16.—Heavy Structural Shapes: Market Areas for Producing Areas as Determined by Average Actual Freight Paid or Allowed from Plant to Consuming Area, February 1939

	Producing Areas ¹							
	Eastern Pennsyl- vania, Phila- delphia	Chicago	Pittsburgh & N. Ohio River	Buffalo	Birming- ham	Colorado	St. Louis	Total
1. Net tons shipped.....	22,957	20,355	17,987	10,280	4,240	2,971	1,151	79,921
Percent of total shipments.....	28.8	25.5	22.5	12.8	5.3	3.7	1.4	100.0
2. Shipments received from all sources in consuming areas governed ² by each producing area, (net tons).....	26,574	19,071	11,116	2,354	11,952	1,228	7,626	79,921
Percent of total shipments.....	33.3	23.9	13.9	2.9	15.0	1.5	9.5	100.0
3. Shipments by producing areas to governed ² consuming areas, (net tons).....	19,823	12,366	6,996	1,243	3,905	768	1,037	46,078
4. Ratio of shipments by producing areas into governed ² areas to shipments received by such governed areas from all sources (percent) (Line 3 divided by line 2).....	74.6	64.5	62.9	52.8	52.7	62.5	13.6	57.7
5. Ratio of shipments by producing areas into governed ² areas to total shipments by such producing areas (percent) (Line 3 divided by line 1).....	86.3	60.5	38.9	12.1	92.1	25.8	90.1	57.7
6. Ratio of shipments received from all sources in governed ² consuming areas to total shipments by the governing producing area (percent) (Line 2 divided by line 1).....	115.8	93.7	61.8	22.9	281.9	41.3	682.6	100.0

¹ Producing areas listed correspond to Form B consuming districts.² Governed areas are those consuming areas into which plants in a given producing area have an actual freight advantage over plants in all other producing areas as measured by average freight actually paid or allowed. See 16A.

Source: Computed from Temporary National Economic Committee Form B questionnaire, February 1939.

TABLE 16A.—*Heavy Structural Shapes: Consuming Areas Governed by Each Producing Area as Determined by Average Actual Freight Paid or Allowed from Plant to Consuming Area, February 1939*

Eastern Pennsylvania and Philadelphia	Producing Areas ¹				
	Chicago	North Ohio River Pittsburgh	Buffalo	Birmingham	Colorado
Metropolitan New York Eastern Pennsylvania Philadelphia Virginia Massachusetts Baltimore District of Columbia Connecticut Northern California Maine Rhode Island ¹ Southern California ² Washington Maryland New Hampshire Vermont Delaware	Chicago Iowa Illinois Minnesota Oklahoma Wisconsin Detroit ² Michigan, other South Dakota ¹ Nevada Idaho ¹	Pittsburgh Ohio—other Youngstown Cleveland North Ohio River (Canton, Mansfield, and Massillon) South Ohio River West Virginia ²	Buffalo (Eastern & Central New York) Florida.	Birmingham— Tennessee Texas Georgia Florida Alabama, other Louisiana Mississippi South Carolina North Carolina Oregon Arkansas Kentucky	Colorado North Dakota Arizona Montana Utah New Mexico Wyoming ¹
					St. Louis Indiana ² Kansas City Nebraska Kansas Missouri, other

¹ Only one producing area shipped to the consuming area listed.² Advantage in freight paid over next most advantageous area is less than \$0.50 per ton.³ Producing areas conform to Form B consuming areas.

Source: Compiled from Temporary National Economic Committee questionnaire Form B.

NOTE.—Consuming areas are listed in order of total tonnage received.

TABLE 17.—Heavy Structural Shapes—Shipments Reported as Priced on Other than the Governing Basing Point, February 1939

Consuming area	Governing basing point	Other reported basing points	Net tons sold on other reported basing points	Percent of total consuming receipts	Delivered value per ton		Freight absorption per ton		Computed base price per ton		Computed mill net per ton ¹	
					Governing basing points	Other reported basing points	Governing basing points	Other reported basing points	Governing basing points	Other reported basing points	Governing basing points	Other reported basing points
Buffalo.....	Buffalo.....	Pittsburgh Bethlehem Sub Total	(14) (33) 47	2.8 5.4 8.2	44.17	47.43 48.67	1.47	0.21 0.52	41.11	42.57 42.21	39.64	42.36 41.70
South Ohio River.....	Pittsburgh.....	Chicago-Gary	12	0.2	48.85	44.83	2.41	-0.08	41.50	40.75	39.09	40.83
Indiana, other.....	Chicago-Gary.....	Pittsburgh	7	(*)	46.26	48.00	1.40	3.00	40.13	41.14	38.73	36.71
Chicago.....	Chicago-Gary.....	Pittsburgh	2	1.3	43.71	47.50	2.11	3.00	40.45	43.50	38.34	40.50
Iowa.....	Chicago-Gary.....	Pittsburgh	28	4.9	47.18	52.06	1.22	3.36	40.09	41.71	38.87	37.89
Missouri—other.....	Chicago-Gary.....	Birmingham	23	0.9	54.31	43.84	2.08	0.00	43.29	41.24	41.21	37.88
South Carolina.....	Birmingham.....	Pittsburgh	3	0.9	50.04	52.67	2.38	0.00	41.58	37.00	39.20	37.00
Georgia.....	Bethlehem.....	Sub Total	(65) (66)	22.9	57.07 47.88	58.09 59.38	1.51 1.42	0.00 1.03	41.65 41.62	40.33 42.06	40.21	40.77
Florida.....	Birmingham.....	Sub Total	131	24.7	50.83	49.00	2.60	-1.71	42.30	41.14	39.69	42.86
Gulf Ports.....	Gulf Ports.....	Bethlehem	(136)	2.0	56.32	56.90	7.43	1.70	49.11	41.67	41.68	39.97
Kentucky.....	Chicago-Gary.....	Sub Total	143	6.0	49.85	56.33	1.28	5.00	41.83	43.22	40.56	38.22
Tennessee.....	Birmingham.....	Pittsburgh	(36)	2.0	53.36	54.14	1.50	0.08	41.07	41.81	39.32	41.72
.....	Chicago-Gary.....	Bethlehem	(49)	6.0	52.89	45.79	1.40	5.53	40.61	39.63	39.22	34.11
.....	Birmingham.....	Sub Total	155	37.3	46.13	50.57	0.10	0.00	38.16	35.04	38.06	35.04
Birmingham.....	Birmingham.....	Pittsburgh	(122)	47.8	39.40	50.64	0.21	0.21	33.80	42.48	39.81	39.87
Alabama, other.....	Birmingham.....	Chicago-Gary	(483)	65.3	46.65	62.32	2.13	2.61	41.94	41.58	41.64	41.71
.....	Birmingham.....	Sub Total	605	47.8	57.66	60.47	0.00	0.20	38.16	35.04	38.06	35.04
Mississippi.....	Birmingham.....	Pittsburgh	(31)	65.3	45.28	54.87	0.85	0.26	38.76	39.53	37.91	39.28
Texas.....	Birmingham.....	Chicago-Gary	(222)	0.1	53.32	57.27	7.47	1.35	46.84	41.35	39.37	40.00
.....	Birmingham.....	Sub Total	(46)	28.7	57.22	59.25	10.11	0.00	47.17	41.00	37.06	42.75
New Mexico.....	Chicago-Gary.....	Bethlehem	4	2.4	59.35	58.97	0.44	9.17	41.00	43.50	40.56	42.75
All Areas.....	Chicago-Gary.....	Pittsburgh	12	2.4	58.97	58.97	-4.04	9.17	36.73	43.50	41.36	34.33

¹ Less than 0.05%.² The "governing" basing point for any destination is determined by the freight rates after giving effect to inter-basing point price differentials, if any.³ Data are not available to check governing basing points in Pacific Coast States. Total shipments to Arizona, Nevada, Idaho, Washington, Oregon and California were 3,238 net tons. Of this amount 685 net tons, or 21.2 percent, were sold on other than "Pacific Ports" basis.⁴ Mill net used here is mill net less extras.

Source: Compiled from Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 18.—Heavy Structural Shapes: Shipments Sold at a Calculated Base Price¹ which Exceeds the Published Base Price,² February 1939

Consuming area	Basing Points											
	Pittsburgh		Chicago-Gary		Buffalo		Bethlehem		Birmingham		Gulf Ports	
	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton
Buffalo.....	14	*\$0.57					33	*\$0.21				
Eastern Pennsylvania.....	6	*2.17										
Pittsburgh.....					58	*\$0.16						
Youngstown.....					15	*0.60						
North Ohio River.....	359	0.13										
Chicago.....	2	*1.30			13	*1.08						
Michigan, other.....			483	\$1.29								
Missouri, other.....												
Georgia.....	65	*0.06										
Florida.....							392	\$0.30			44	*\$0.11
Kentucky.....	9	*1.22										
Alabama.....	31	*0.48										
Arkansas.....			47	*0.38								
Louisiana.....							238	0.37			123	1.41
Texas.....					4	*0.75						
Idaho.....			1	*5.00								
Wyoming.....			13	*0.15								
New Mexico.....			12	*1.60								
Arizona.....			55	1.31								
Washington.....			58	*0.24							166	*\$0.01
Oregon.....			33	*0.27							290	*0.02
Southern California.....			175	*0.02							685	*0.04
Northern California.....											1,332	0.82
Total.....	359	0.13	738	1.29					630	0.33	1,332	0.82
Percent of all shipments.....	3.1%		1.9%					16.0%		52.2%	2,982	3.7%

*Excess may be accounted for by rounding of fractional tons to the nearest whole number and has not been included in the total. Variation of \$0.05 or less in addition to such excess from rounding is also excluded from total.

¹ "Calculated Base Price" is the invoiced delivered value less freight added and less extras charged, divided by the number of tons sold.

² Published Base Prices are those listed by February 1939 Iron Age, (all issues in the month covered).

Source: Compiled from Temporary National Economic Committee questionnaire Form B for February 1939.

PART 2

TABLE 1.—*Plates: Basing Points and Basing Point Prices*

[Prices per net ton]

Basing Point	May 1938		February 1939	
	Base price	Differential over Pitts-burgh	Base price	Differential over Pitts-burgh
Pittsburgh.....	\$45.00		\$42.00	
Chicago-Gary.....	46.00	\$1.00	42.00	\$0.00
Birmingham.....	48.00	3.00	42.00	0.00
Cleveland.....	49.00	4.00	42.00	0.00
Coatesville.....	47.00	2.00	42.00	0.00
Sparrows Point.....	47.00	2.00	42.00	0.00
Claymont.....	(1)		42.00	0.00
Youngstown.....	(1)		42.00	0.00
Gulf Ports.....	53.00	8.00	49.00	7.00
Pacific Ports.....	56.00	11.00	52.00	10.00

¹ Not listed as a basing point in May 1938.

Source: Iron Age (all issues for months listed).

TABLE 2.—*Plates: Distribution of Capacity by Distance from the Nearest Basing Point*

Distance from nearest basing point (Air miles) ¹	Capacity (1,000 gross tons) ²	Percent of total capacity
Total United States.....	5,504.8	100.0
0-25.....	4,224.05	76.7
26-50.....	100.0	1.8
51-100.....	1,070.0	19.5
Over 100.....	110.75	2.0

¹ Includes all basing points listed in the Iron Age, after the change in basing points in June 1938.² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938 and the Iron Age.³ Includes 14,500 gross tons on the Pacific Coast.

[Adding machine tabulation]

10.00
12.86
4.20
6.25
3.50
14.00
22.00
15.50
4.00
.10
15.50
10.50
20.00
18.00
26.50
.60
16.55
2.50
5.36
10.00
5.40
.13
13.00
10.50
.30
1.60
12.50
14.40
7.50
16.50
2.80
29.40
29.00
.20
32.00
10.80
<i>320.0</i>
<i>32</i>
<hr/>
<i>288.0</i>
.13
.70
3.07
4.00
7.50
16.50
<hr/>
407.05*
288.0
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4358.5

[Italic indicates pencil notations. Asterisk indicates red figures.]

TABLE 3.—*Plates: Distribution of Total Capacity in the United States and Form B Sampled Capacity by Producing Areas*

Producing Area ¹	Total U. S. Capacity ²		Estimated Capacity Sampled	
	1,000 G. T.	Percent of total	1,000 G. T.	Percent of total capacity sampled
Total United States.....	5,504.8	100.0	³ 4,693.3	85.3
Integrated ⁴	(4,453.5)	(80.9)	(3,755.3)	(84.3)
Semi-integrated.....	(1,028.4)	(18.7)	(938.0)	(91.2)
Non-integrated.....	(22.9)	(0.4)	.....	.....
Pittsburgh.....	1,626.45	29.5	1,524.5	93.7
Eastern Pennsylvania, Philadelphia, Delaware.....	1,035.0	18.8	1,008.0	97.4
Chicago.....	995.3	18.1	617.0	62.0
Detroit.....	500.0	9.1	500.0	100.0
Baltimore.....	440.0	8.0	440.0	100.0
Youngstown.....	311.0	5.7	72.0	23.2
Birmingham.....	251.8	4.6	251.8	100.0
Cleveland.....	120.0	2.2	120.0	100.0
North Ohio River.....	100.0	1.8	100.0	100.0
St. Louis.....	60.0	1.1	60.0	100.0
Areas outside the sample:				
Colorado.....	8.0	0.1	.....	.....
Kansas City.....	11.5	0.2	.....	.....
Buffalo.....	30.35	0.5	.....	.....
Washington.....	14.5	0.3	.....	.....
Tennessee.....	0.9	(*)	.....	.....

¹ Producing areas conform to Form B Consuming Areas.² Compiled from the Iron and Steel Works Directory of the United States and Canada 1938.³ Of the capacity sampled 80.0 percent represented integrated companies, 20.0 percent semi-integrated companies.⁴ Degree of integration here used is company integration (not plant).

* Less than 0.05 percent.

TABLE 4.—*Plates: Estimated Sampled Capacity by Producing Areas and Distribution of Shipments by Producing Areas*

Producing Area ¹	Sampled Capacity ²		February 1939 shipments ³	
	1,000 gross tons	Percent of sampled capacity	Net tons	Percent of total shipments
Total U. S.	4,693.3	100.0	96,443	100.0
Pittsburgh.....	1,524.5	32.5	24,381	25.3
Eastern Pennsylvania, Philadelphia & Delaware.....	1,008.0	21.5	27,885	28.9
Chicago.....	617.0	13.1	15,088	15.6
Detroit.....	500.0	10.7	941	1.0
Baltimore.....	440.0	9.4	10,821	11.2
Birmingham.....	251.8	5.3	12,836	13.3
Cleveland.....	120.0	2.6	967	1.0
North Ohio River.....	100.0	2.1	482	.5
Youngstown.....	72.0	1.5	1,783	1.9
St. Louis.....	60.0	1.3	1,259	1.3

¹ Producing areas conform to Form B consuming areas.² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938.³ Compiled from the Temporary National Economic Committee Questionnaire Form B, February 1939.

TABLE 5.—Plates: *Distribution of Total Capacity and Form A Sampled Capacity by Producing Area (District Sample), 1938*

Producing Area ¹	Total U. S. Capacity Tonnage (1,000 gross tons) ¹	Capacity Sampled	
		Tonnage (1,000 gross tons)	Percent sampled by producing area
Total United States.....	5,504.8	3,215.1	58.4
Pittsburgh.....	1,626.45	1,524.5	93.7
Eastern Pennsylvania, Philadelphia, Delaware.....	1,035.00	705.3	70.9
Chicago.....	995.3	705.3	70.9
Detroit.....	500.0	440.0	100.0
Baltimore.....	440.0	261.0	83.9
Youngstown.....	311.0	171.8	68.2
Birmingham.....	251.8	171.8	68.2
Cleveland.....	120.0	60.0	100.0
North Ohio River.....	100.0	30.0	98.8
St. Louis.....	60.0	14.5	100.0
Buffalo.....	30.35	11.5	100.0
Washington.....	14.5	8.0	100.0
Kansas City.....	11.5	0.9	100.0
Colorado.....	8.0		
Tennessee.....	0.9		

¹ Producing areas conform to Form B consuming areas.¹ Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938.TABLE 5A.—Plates: *Distribution of Total Capacity and Form A Sampled Capacity by States (State Sample), 1938*

State	Total U. S. Capacity Tonnage (1,000 gross tons) ¹	Capacity Sampled	
		Tonnage (1,000 gross tons)	Percent sampled by state
Total United States.....	5,504.8	4,248.7	77.2
Pennsylvania.....	2,508.45	1,675.1	66.8
Indiana.....	588.3	338.3	57.5
Michigan.....	500.0	500.0	100.0
Illinois.....	467.0	427.0	91.4
Maryland.....	440.0	440.0	100.0
Ohio.....	356.0	236.0	66.3
Alabama.....	251.8	251.8	100.0
Delaware.....	228.0	228.0	100.0
West Virginia.....	100.0	100.0	100.0
New York.....	30.35	30.0	98.8
Washington.....	14.5	14.5	100.0
Missouri.....	11.5	8.0	100.0
Colorado.....	8.0		
Tennessee.....	0.9		

¹ Source: The Iron and Steel Works Directory of the United States and Canada, 1938.¹ Company was sampled but no shipments were reported for this product.

TABLE 6.—*Plates: Relative Stability of Tonnage Distribution by Consuming Region 1936, 1937, 1938 and February 1939*

Region	Form A Distribution by States			Form A Distribution by Consuming District			Form B Distribution
	1936	1937	1938	1936	1937	1938	Feb. 1939
All regions (net tons).....	1, 691, 356	2, 154, 866	834, 200	1, 447, 092	1, 839, 877	779, 571	96, 443
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North Eastern ¹	42.7	42.5	36.8	30.1	29.4	29.5	35.1
North Central ²	31.1	31.8	27.7	40.3	41.6	34.8	29.7
West Central ³	3.0	3.8	4.2	3.8	4.9	4.3	2.8
South Eastern ⁴	4.8	5.1	8.4	4.9	5.3	8.6	9.2
Southern & South Western ⁵	9.2	9.7	14.8	10.6	11.2	14.7	13.5
Mountain and Western ⁶	9.2	7.1	8.1	10.3	7.6	8.1	9.7

¹ Includes following states and consuming districts: Maine, N. H., Vt., Mass., R. I., Conn., N. Y., N. J., Pa., Metropolitan N. Y., Eastern & Central N. Y., Buffalo, Phila., Eastern Pa., Pittsburgh.

² Includes following states and consuming districts: Ohio, Ind., Ill., Mich., Wis., Minn., Cleveland, Youngstown, North Ohio River, Canton-Mansfield, South Ohio River, Ohio-other, Chicago, Ill.-other, Detroit, Michigan-other.

³ Includes following states and consuming districts: Iowa, Mo., N. Dak., S. Dak., Nebr., Kans., St. Louis, Kans. City, Mo.-other.

⁴ Includes following states and consuming districts: Delaware, Md., D. C., Va., W. Va., N. C., S. C., Ga., Fla., Baltimore, Md.-other.

⁵ Includes following states and consuming districts: Ky., Tenn., Ala., Miss., Ark., La., Okla., Tex., Birmingham, Ala.-other.

⁶ Includes following states and consuming districts: Mont., Idaho, Wyo., Colo., N. Mex. Ariz., Utah, Nev., Wash., Ore., California, So. California, No. California.

Note: Each region is defined by the areas listed, eliminating duplications. The most important states and consuming districts have been italicized.

TABLE 7.—*Plates: Range of Variation of Tonnage Distribution in Consuming States and Consuming Districts, 1936, 1937, 1938 and February 1939 (Range of distribution of percentages by areas)*

Range	Form A: 1936-1938 inclusive		Form A & B: 1936-1938 inclusive and Feb. 1939
	By 49 states: Number of states ¹	By 64 districts: Number of districts	By 64 districts: Number of districts
Over 5.0.....	1	1	3
2.1-5.0.....	4	5	7
1.1-2.0.....	6	5	8
.6-1.0.....	6	13	13
0.5 or under.....	32	40	33
Total.....	49	64	64

¹ Includes the District of Columbia.

TABLE 8.—*Plates: Selected Consuming Areas for Detailed Analysis, February 1939*

Producing area ¹	Basing point ²	All consuming areas (net tons received)	Selected consuming areas (net tons received ³)	Per cent of all consuming areas receipts
All producing areas.....	All basing points.....	96,443	76,447	79.3
Chicago.....	All basing points.....	15,088	10,634	70.5
	Pittsburgh.....	387	240	62.0
	Chicago-Gary.....	12,909	9,818	70.6
	Birmingham.....	146	80	54.8
	Cleveland.....	300	213	71.0
	Coatesville.....	204	204	100.0
	Gulf Ports.....	74	58	78.3
	Pacific Ports.....	68	21	30.8
St. Louis.....	All basing points.....	1,259	572	45.4
	Chicago-Gary.....	1,062	419	39.5
	Birmingham.....	175	131	74.3
	Gulf Ports.....	22	22	100.0
Detroit.....	All basing points.....	941	941	100.0
	Sparrows Point.....	28	28	100.0
	Chicago-Gary.....	73	73	100.0
	Buffalo ⁴	6	6	100.0
	Cleveland.....	834	834	100.0
Cleveland.....	All basing points.....	967	743	76.8
	Chicago-Gary.....	89	89	100.0
	Cleveland.....	702	480	68.3
	Youngstown.....	12	12	100.0
	Coatesville.....	162	162	100.0
Youngstown.....	All basing points.....	1,783	1,409	79.0
	Pittsburgh.....	205	203	99.0
	Sparrows Point.....	80	74	92.5
	Chicago-Gary.....	522	442	84.7
	Birmingham.....	67	51	76.1
	Cleveland.....	422	201	47.6
	Youngstown.....	298	253	84.8
	Middle town ⁴	4	4	100.0
	Coatesville.....	12	12	100.0
	Claymont.....	156	156	100.0
	Gulf Ports.....	13	13	100.0
Pittsburgh.....	All basing points.....	24,381	20,701	84.9
	Pittsburgh.....	8,349	7,232	86.6
	Sparrows Point.....	760	660	86.8
	Chicago-Gary.....	3,784	3,183	84.0
	Birmingham.....	1,101	833	75.6
	Cleveland.....	2,848	1,993	69.9
	Youngstown.....	2,818	2,672	94.8
	Coatesville.....	973	872	89.6
	Claymont.....	1,888	1,615	85.5
	Gulf Ports.....	46	46	100.0
	Pacific Ports.....	1,814	1,595	87.9
Eastern Pennsylvania, Philadelphia, Delaware.....	All basing points.....	27,885	22,382	80.2
	Pittsburgh.....	509	322	63.2
	Sparrows Point.....	3,813	2,552	66.9
	Chicago-Gary.....	1,603	689	43.0
	Birmingham.....	1,190	77	6.5
	Cleveland.....	1,813	1,024	56.5
	Youngstown.....	1,414	1,402	99.1
	Coatesville.....	4,446	4,250	95.6
	Claymont.....	10,263	9,400	91.6
	Gulf Ports.....	1,045	1,044	99.9
	Pacific Ports.....	1,789	1,632	91.2

¹ Producing areas conform to Form B consuming areas.² Includes only basing points governing selected consuming areas.³ Consuming areas receiving two per cent or more of total shipments. Areas selected were: Mass., Metrop. N. Y., Buff., Phila., Ea. Pa., Pgh., Yst., Oh.—other—Ind., Chi., Ill.—other, Detroit, Va., Ky., Birm., Tex., So. Cal., N. Cal.⁴ Shown in the reports but not listed as a basing point by the Iron Age.

TABLE 8.—*Plates: Selected Consuming Areas for Detailed Analysis, February 1939—Continued*

Producing area	Basing point	All consum- ing areas (net tons received)	Selected consuming areas (net tons re- ceived)	Per cent of all consum- ing areas ^a receipt.
Baltimore.....	All basing points.....	10,821	9,176	84.8
	Pittsburgh.....	43	43	100.0
	Sparrows Point.....	2,284	2,140	93.7
	Chicago-Gary.....	292	140	47.9
	Cleveland.....	271	198	73.1
	Youngstown.....	130	128	98.5
	Coatesville.....	1,292	1,292	100.0
	Claymont.....	3,975	3,188	80.2
	Gulf Ports.....	166	166	100.0
	Pacific Ports.....	2,342	1,881	80.3
Birmingham.....	All basing points.....	12,836	8,964	69.8
	Sparrows Point.....	288	26	9.0
	Chicago-Gary.....	371	135	36.4
	Birmingham.....	7,973	4,970	62.3
	Cleveland.....	18	18	100.0
	Coatesville.....	612	280	45.8
	Claymont.....	466	466	100.0
	Gulf Ports.....	627	627	100.0
	Pacific Ports.....	2,481	2,442	98.4
North Ohio River.....	All basing points.....	482	456	94.6
	Pittsburgh.....	55	50	90.9
	Chicago-Gary.....	214	214	100.0
	Birmingham.....	59	59	100.0
	Cleveland.....	46	25	54.3
	Youngstown.....	25	25	100.0
	Claymont.....	28	28	100.0
	Detroit ⁴	55	55	100.0
All producing areas.....	Pittsburgh.....	9,550	8,090	84.7
	Sparrows Point.....	7,253	5,480	75.6
	Chicago-Gary.....	21,919	15,202	69.4
	Birmingham.....	10,737	6,201	57.8
	Buffalo ⁴	6	6	100.0
	Cleveland.....	7,254	4,966	68.7
	Youngstown.....	4,697	4,492	95.6
	Middletown ⁴	4	4	100.0
	Coatesville.....	7,701	7,072	91.8
	Claymont.....	16,776	14,853	88.5
	Detroit ⁴	55	55	100.0
	Gulf Ports.....	1,993	1,976	99.1
	Pacific Ports.....	8,498	7,571	88.4

^a Shown in the reports but not listed as a basing point by the Iron Age.

Source: Compiled from the Temporary National Economic Committee, Form B questionnaire, February 1939.

TABLE 9.—Plates: Freight Absorption on Shipments to Selected Consuming Areas, February 1939

Selected consuming area ¹	Total net tons shipped to consuming area listed	Freight absorption on all shipments to area	Shipments from "governing" producing areas ²				Shipments from other producing areas		
			Producing area	Net tons shipped	Percent of total shipments to area	Freight absorption per net ton	Net tons shipped	Percent of shipments to area	Freight absorption per net ton
Metropolitan New York.....	4,416	\$.96	Eastern Pennsylvania, Philadelphia, Delaware, ware.	2,767	62.7	\$.39	1,649	37.3	\$1.91
Buffalo.....	2,096	2.07	Cleveland.....	15	.7	.33	2,081	99.3	2.08
Philadelphia.....	9,685	1.86	Eastern Pennsylvania, Philadelphia, Delaware, ware.	6,274	64.8	.35	3,411	35.2	4.64
Eastern Pennsylvania.....	4,418	.75	Eastern Pennsylvania, Philadelphia, Delaware, ware.	2,851	64.5	-.01	1,567	35.5	2.11
Pittsburgh.....	7,275	1.17	Pittsburgh.....	6,118	84.1	.67	1,157	15.9	3.81
Ohio, other.....	2,620	1.68	Cleveland.....	472	18.0	-.01	2,148	82.0	2.05
Indiana—other.....	2,331	1.04	Chicago.....	1,524	65.4	.33	807	34.6	2.38
Chicago.....	8,320	2.45	Chicago.....	5,276	63.4	.12	3,044	36.6	6.49
Illinois—other.....	3,475	.90	Chicago.....	2,718	78.2	.03	757	21.8	4.00
Detroit.....	2,621	.42	Detroit.....	903	34.5	-.39	1,718	65.5	2.68
Eastern & Central New York.....	1,916	1.11	Youngstown.....	84	4.5	.13	1,832	95.5	1.15
Youngstown.....	3,009	1.66	Youngstown.....	263	8.4	.11	2,746	91.6	1.80
Birmingham.....	3,292	.50	Birmingham.....	1,602	50.0	-.42	2,401	80.0	7.71
Texas (adjusted for differential) ⁴	3,003	5.88	Pittsburgh.....	1,129	37.6	(-1.95)	846	42.8	1.54
Massachusetts.....	1,975	.87	Eastern Pennsylvania, Philadelphia, Delaware, ware.	2,140	39.6	-.42	3,265	60.4	.97
Virginia.....	5,405	.42	Baltimore.....	109	4.3	.04	2,445	95.7	1.58
Kentucky.....	2,554	1.51	St. Louis.....	299	7.4	10.41	3,745	92.6	11.80
Southern California.....	4,044	11.70	Eastern Pennsylvania, Philadelphia, Delaware, ware.	(299)	(7.4)	(0.44)	(3,745)	(92.6)	(1.81)
Southern California (adjusted for differential) ⁴	(4,044)	(1.71)	Eastern Pennsylvania, Philadelphia, Delaware, ware.	51	1.4	6.67	3,512	98.6	13.60
Northern California.....	3,563	13.50	Eastern Pennsylvania, Philadelphia, Delaware, ware.	(1,335)	(37.5)	(0.23)	(2,228)	(62.5)	(5.61)
Northern California (adjusted for differential) ⁴	(3,563)	(3.59)		336,847	48.5	0.24	39,141	51.5	4.86
Total of above areas.....	75,988	2.61		(38,131)	(50.2)	(0.14)	(37,857)	(49.2)	(2.76)
Total (adjusted for differential) ⁴		(1.45)							

¹ Consuming areas receiving 2 percent or more of total shipments, February 1939.² The "governing" producing area is that area having the lowest freight absorption on shipments to the consuming area listed.³ Includes 529 tons registered sold by Pittsburgh Mills on Birmingham basing point and shows phantom freight of \$2.96 per ton. If this tonnage is excluded on the unadjusted basis, St. Louis (shipments 44 tons) becomes the governing producing area with freight absorption of \$4.45 and the shipments and freight absorption from other producing areas are 2,430 and \$7.84 respectively. No adjustments have been made from reported figures.⁴ Figures in parentheses have been adjusted for basing point price differentials on sales on Gulf and Pacific Port basing points.

Source: Compiled from Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 10.—Plates: Comparison of Computed Base Prices with Published Base Prices in Selected Consuming Areas, February 1939

Selected Consuming Areas ¹	Reported basing points	Published base price ²	Computed Base Prices on Shipments from Producing Areas ³									
			Eastern Pennsylvania, Philadelphia, Delaware	Pittsburgh	Chicago	Birmingham	Baltimore	Youngstown	St. Louis	Cleveland	Detroit	North Ohio River
Philadelphia	Claymont	\$42.00	\$43.63			\$42.03	\$41.93	\$42.15				
	Coatesville	42.00	44.84	\$43.00		44.00	41.13					
	Youngstown	42.00		41.95								
Chicago	Chicago-Gary	42.00	54.60	41.54	\$39.76		41.65	42.01	\$41.69	\$39.64	\$46.75	
	Pittsburgh	42.00	45.35	39.30	42.00		41.72	41.84				\$43.65
	Youngstown	42.00	43.94	41.84						48.50		
Virginia	Sparrows Point	42.00	40.43	41.99		38.04	42.73	42.32				
	Claymont	42.00	38.62									
	Sparrows Point	42.00	42.68	41.38								
Eastern Pennsylvania	Cleveland	42.00		*46.25								
	Youngstown	42.00		41.90								
	Coatesville	42.00	42.40	41.28			41.04					
Pittsburgh	Claymont	42.00	39.56									
	Youngstown	42.00	41.14	41.65								
	Sparrows Point	42.00						43.27				
Metropolitan New York	Claymont	42.00	45.45	41.08			40.38	41.62				
	Coatesville	42.00	46.98	41.90			39.04					
	Chicago-Gary	42.00		*37.25								42.22
Southern California	Pacific Ports	52.00	48.30	50.83		46.81	47.61					
	Claymont	42.00	*36.00									
	Chicago-Gary	42.00			41.90							
Northern California	Pacific Ports	52.00	52.00	52.09	51.90	54.63	51.11					
	Claymont	42.00	*47.00									
	Chicago-Gary	42.00	51.70	41.44	35.55	37.99	*27.00	40.06	39.02			
Illinois—other	Birmingham	42.00				38.09						
	Pittsburgh	42.00		37.33								
	Youngstown	42.00		42.02								
Chicago-Gary	Cleveland	42.00	*47.00									
	Youngstown	42.00	44.74	39.77			42.65	38.50				44.12
	Sparrows Point	42.00	49.25							40.00		
Texas	Birmingham	42.00	41.79	33.67	39.41	45.61			40.00			
	Gulf Ports	49.00	45.41	48.67	48.59		46.16	48.23	48.77			

¹ Consuming areas receiving two percent or more of the total shipments.² As listed by all February 1939 issues of the Iron Age.³ Producing areas conform to Form B consuming areas February 1939.

* Represents shipments of less than 5 net tons.

TABLE 10.—Plates: Comparison of Computed Base Prices with Published Base Prices in Selected Consuming Areas, February 1939—Con.

Selected Consuming Areas	Reported basing points	Published base price	Computed Base Prices on Shipments from Producing Areas										
			Eastern Pennsylvan., Philadelphia, Delaware	Pittsburgh	Chicago	Birmingham	Baltimore	Youngstown	St. Louis	Cleveland	Detroit	North Ohio River	
Detroit	Pittsburgh	\$42.00		\$39.60	\$35.70				\$62.60				
	Chicago-Gary	42.00	\$43.27	41.46	40.02				41.70	\$44.00	\$63.77		
	Cleveland	42.00	*30.50	44.80				\$40.43	42.10		42.27	\$43.72	
	Pittsburgh	42.00		42.67									
	Chicago-Gary	42.00											
	Cleveland	42.00	46.23	40.61	41.53	\$41.00	41.30	42.23					
	Youngstown	42.00	*23.00	44.75								*41.00	
	Chicago-Gary	42.00	43.54	41.77	42.12			42.25	\$41.67		42.18		
	Birmingham	42.00	41.76	41.90	41.94	41.99			40.49	41.90			
	Chicago-Gary	42.00	60.77	41.96	40.85		*49.00			42.30			
Indiana—other	Claymont	42.00	59.00										
	Pittsburgh	42.00		41.97									
	Youngstown	42.00	48.27	41.46			41.87		41.40	49.27			
	Cleveland	42.00	39.83	41.80					42.00				
	Claymont	42.00	45.00					41.89		37.00			
	Sparrows Point	42.00											
	Cleveland	42.00		40.13									
	Coatesville	42.00	*48.00	*37.00									
	Claymont	42.00	44.42	41.99			41.95	42.60			41.20		
	Pittsburgh	42.00						*43.00					
Eastern & Central New York	Cleveland	42.00		45.33				42.28					
	Youngstown	42.00											
	Coatesville	42.00	55.91	41.79									
	Claymont	42.00	45.74	41.31	41.93		41.25	40.67		38.04			
	Pittsburgh	42.00											
	Chicago-Gary	42.00											
	Cleveland	42.00											
	Youngstown	42.00											
	Claymont	42.00											
	Pittsburgh	42.00											

* Represents shipments of less than 5 net tons.

Source: Compiled from Temporary National Economic Committee Form B Questionnaire, February 1939.

TABLE 11.—*Plates: Published Base Prices and Calculated Form B Base Prices By Basing Points, February 1939*

Basing Point	Published Base Price (Per net ton) ¹	Calculated Base Price (Per net ton) ²	Basing Point	Published Base Price (Per net ton) ¹	Calculated Base Price (Per net ton) ²
Pittsburgh.....	\$42.00	\$30.25	Coatesville.....	\$42.00	\$42.41
Chicago-Gary.....	42.00	41.02	Sparrows Point.....	42.00	41.78
Birmingham.....	42.00	38.94	Youngstown.....	42.00	42.79
Claymont.....	42.00	43.03	Gulf Ports.....	49.63	45.78
Cleveland.....	42.00	41.78	Pacific Ports.....	52.00	49.92

¹ As listed in all February 1939 issues of the Iron Age.² Computed from Temporary National Economic Committee Form B Questionnaire, February 1939.TABLE 12.—*Plates: Total Sales by Grouped Mills in Each Producing Area on Nearest Basing Point and on All Other Basing Points, February 1939*

Producing area ¹	Nearest basing point	Net tons sold				
		On all basing points	On nearest basing point	On other than nearest basing point	Per cent sold on nearest basing point	Per cent sold on other than nearest basing point
All producing areas.....		96,443	50,175	46,268	52.0	48.0
Eastern Pennsylvania, Philadelphia, Delaware.....	Coatesville-Claymont.....	27,885	14,709	13,176	52.7	47.3
Pittsburgh, North Ohio River.....	Pittsburgh.....	24,863	8,404	16,459	33.8	66.2
Chicago.....	Chicago-Gary.....	15,088	13,909	1,179	92.2	7.8
Birmingham.....	Birmingham.....	12,836	7,973	4,863	62.1	37.9
Baltimore.....	Sparrows Point.....	10,821	2,284	8,537	21.1	78.9
Youngstown.....	Youngstown.....	1,783	298	1,485	16.7	83.3
St. Louis.....	Chicago-Gary.....	1,259	1,062	197	84.4	15.6
Cleveland.....	Cleveland.....	967	702	265	72.6	27.4
Detroit.....	Cleveland.....	941	834	107	88.6	11.4

Producing area ¹	Nearest basing point	Mill net less extras per net ton			Freight absorption per net ton		
		On sales on all basing points	On sales on nearest basing point	On sales on other than nearest basing point	On sales on all basing points ²	On sales on nearest basing point	On sales on other than nearest basing point ²
All producing areas.....		39.58	40.56	38.53	2.57 (1.54)	0.26	5.08 (2.94)
Eastern Pennsylvania, Philadelphia, Delaware.....	Coatesville-Claymont.....	41.75	43.41	39.91	2.46 (1.56)	0.28	4.89 (2.98)
Pittsburgh, North Ohio River.....	Pittsburgh.....	37.92	38.24	37.75	3.23 (2.49)	0.58	4.59 3.46
Chicago.....	Chicago-Gary.....	39.12	39.20	38.15	0.48 (0.40)	0.19	3.95 (2.93)
Birmingham.....	Birmingham.....	38.08	39.20	36.24	3.91 (1.64)	0.54	9.42 (3.42)
Baltimore.....	Sparrows Point.....	39.91	43.08	39.07	3.39 (1.12)	-0.42	4.41 (1.53)
Youngstown.....	Youngstown.....	38.40	38.83	38.32	3.52 (3.45)	0.09	4.22 (4.13)
St. Louis.....	Chicago-Gary.....	37.80	37.16	41.24	1.26 (1.14)	1.29	1.12 (0.34)
Cleveland.....	Cleveland.....	40.50	41.98	36.58	0.62 (0.62)	.04	2.15 (2.15)
Detroit.....	Cleveland.....	47.27	46.08	56.59	-3.61 (-3.61)	-3.81	-2.06 (-2.06)

¹ Producing areas conform to Form B consuming areas.² Figures in parentheses are adjusted by correcting for price differentials of \$7.00 per ton on sales on Gulf Port basing points and \$10.00 on sales on Pacific Port basing points.

Source: Compiled from Temporary National Economic Committee Questionnaire Form B, February 1939

TABLE 13.—*Plates: Shipments Received Compared to Shipments Made by Producing Areas, February 1939*

Producing Area ¹	Total Shipments Made By Plants in Producing Area	Shipments received in producing areas			
		Total Received in Producing Area	Received from Plants in Identical Area	Percent Received from Plants in Identical Area	Total received in area as a Percent of Total Shipments from the area
All producing areas.....	96,443	46,808	35,496	75.8	48.5
Eastern Area ¹	38,706	19,379	16,316	84.2	50.1
Pittsburgh, North Ohio River, Youngstown.....	26,646	10,369	9,073	87.5	38.9
Chicago.....	15,088	8,320	5,276	63.4	55.1
Birmingham.....	12,836	3,262	3,262	100.0	25.4
St. Louis.....	1,259	1,105	474	42.9	87.8
Cleveland.....	967	1,752	192	11.0	181.2
Detroit.....	941	2,621	903	34.5	278.5

¹ Producing areas conform to Form B, consuming areas except: "Eastern" which here includes Eastern Pennsylvania, Philadelphia, Delaware, Baltimore, Maryland-other, and Metropolitan New York.

Source: Compiled from the Temporary National Economic Committee Questionnaire Form B, February 1939.

TABLE 14.—Plates: Analysis of the Market Areas of Grouped Plants as Measured by the Freight Absorption on Shipments Priced on the Nearest Basing Point, February 1939

Producing area ¹¹	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which freight absorption is:			
		Net tons	Freight absorption per ton	Net tons	Freight absorption per ton	Equal to or less than standard ¹		Greater than standard ¹	
						Net tons	Freight absorption	Net tons	Percent of total shipments
Eastern Pennsylvania, Philadelphia, Delaware.	Coatesville, Claymont.	27,885	2.46	14,709	.28	3,286	.01	24,689	88.2
Pittsburgh, North Ohio River.	Pittsburgh.	24,863	3.23	8,404	.58	11,822	-.37	23,041	92.7
Chicago.	Chicago-Gary.	15,088	3.48	13,909	.19	11,098	.08	3,990	26.4
Birmingham.	Birmingham.	12,836	3.91	7,973	.54	6,006	.35	6,830	52.4
Baltimore.	Sparrows Point.	10,821	3.39	2,284	-.42	1,109	-.61	10,712	99.0
Youngstown.	Youngstown.	1,783	3.52	298	.09	.47	.00	1,736	97.4
St. Louis.	Chicago-Gary.	1,259	1.26	1,062	1.29	712	-.38	547	43.4
Cleveland.	Cleveland.	967	.62	702	.04	475	-.01	492	50.9
Detroit.	Cleveland.	941	-3.61	834	-3.81	10,903	-3.88	38	4.0
Total.		96,643	2.57	60,175	0.26	24,468	-0.04	71,975	74.6

¹ Standard freight absorption for each producing area is the freight absorption on sales on the nearest basing point.

² Comprises shipments to: Maine, Vermont, Rhode Island, Eastern Pennsylvania, Alabama-other. (Aggregate tons received in areas listed, 5,296.)

³ Comprises shipments to: Rhode Island, North Ohio River, West Virginia, Alabama-other, Texas. (Aggregate tons received in areas listed, 4,174.)

⁴ Comprises shipments to: Chicago, Illinois-other, Michigan-other, Wisconsin, Minnesota, St. Louis, Kansas City, Missouri-other, North Dakota, South Dakota, Nebraska, Montana, Colorado, Utah, Nevada. (Aggregate tons received in areas listed.)

⁵ Comprises shipments to: Georgia, Kentucky, Tennessee, Birmingham. (Aggregate tons received in areas listed, 9,084.)

⁶ Comprises shipments to: Baltimore, Maryland-other, West Virginia. (Aggregate tons received in areas listed, 1,174.)

⁷ Comprises shipments to: North Ohio River, Canton, Mansfield, Massachusetts, West Virginia. (Aggregate tons received in areas listed, 2,777.)

⁸ Comprises shipments to: St. Louis, Kansas, Kentucky, Tennessee, Mississippi, Oklahoma. (Aggregate tons received in areas listed, 6,930.)

⁹ Comprises shipments to: Ohio-other, Detroit. (Aggregate tons received in areas listed, 5,241.)

¹⁰ Comprises shipments to: Detroit. (Aggregate tons received in area, 2,621.)

¹¹ All producing areas indicated are the same as Form B consuming areas.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 14A.—Plates: Analysis of the Market Areas of Grouped Plants as Measured by the Freight Absorption on Shipments Priced on the Nearest Basing Point (Adjusted for Basing Point Price Differentials), February 1939

Producing area ¹¹	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which freight absorption is:			
		Net tons	Freight absorption per ton	Net tons	Freight absorption per ton	Equal to or less than standard ¹		Greater than standard ¹	
						Net tons	Freight absorption per ton	Net tons	Percent of total shipments
Eastern Pennsylvania, Philadelphia, Delaware.	Cootesville, Claymont.	27,885	1.56	14,709	.28	24,742	.07	23,143	83.0
Pittsburgh, North Ohio River.	Pittsburgh	24,863	2.49	8,404	.58	31,822	— .54	23,041	92.7
Chicago	Chicago-Gary	15,088	.40	13,909	.19	411,098	.08	3,860	26.4
Birmingham	Birmingham	12,836	1.64	7,973	.54	6,006	.35	6,830	53.2
Baltimore	Sparrows Point	10,821	1.12	2,284	— .42	7,438	— .47	10,363	95.8
Youngstown	Youngstown	1,783	3.45	298	.09	747	.00	1,736	97.4
St. Louis	Chicago-Gary	1,259	1.14	1,062	1.29	756	.41	903	40.0
Cleveland	Cleveland	967	0.62	702	.04	9475	— .01	432	50.9
Detroit	Cleveland	941	— 3.61	834 ¹	— 3.81	10,903	— 3.88	38	4.0
All areas		96,443	1.54	50,175	0.26	26,307	— 0.04	70,136	72.7
									2.14

¹ Standard freight absorption for each producing area is the freight absorption on sales on the nearest basing point.

² Comprises shipments to: Maine, Vermont, Rhode Island, Eastern Pennsylvania, Alabama-other, Washington, Northern California. (Aggregate tons received in areas listed, 9475.)

³ Comprises shipments to: Rhode Island, North Ohio River, West Virginia, Alabama-other, Texas. (Aggregate tons received in areas listed, 4,174.)

⁴ Comprises shipments to: Chicago, Illinois-other, Michigan-other, Wisconsin, Minnesota, St. Louis, Kansas City, Missouri-other, North Dakota, South Dakota, Nebraska, Montana, Colorado, Utah, Nevada. (Aggregate tons received in areas listed, 17,247.)

⁵ Comprises shipments to: Georgia, Kentucky, Tennessee, West Virginia, Washington. (Aggregate tons received in areas listed, 1,790.)

⁶ Comprises shipments to: Baltimore, Maryland-other, Canton, Mansfield, Massachusetts, West Virginia. (Aggregate tons received in areas listed, 2,777.)

⁷ Comprises shipments to: North Ohio River, Kentucky, Tennessee, Mississippi, Oklahoma, Texas. (Aggregate tons received in areas listed, 9,933.)

⁸ Comprises shipments to: Ohio-other, Detroit. (Aggregate tons received in areas listed, 5,241.)

⁹ Comprises shipments to: Detroit. (Aggregate tons received in areas listed, 2,621.)

¹⁰ All producing areas indicated conform to Form B consuming areas.

¹¹ Source: Compiled from the Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 15.—Plates: Analysis of the Market Areas of Grouped Plants as Measured by the Mill Net on Shipments Priced on the Nearest Basing Point,* February 1939

Producing area ¹¹	Nearest basing point	Total Shipments		Shipments Priced On Nearest Basing Point		Shipments to All Areas in Which Mill Net is:			
		Net tons	Mill net per ton	Net tons	Mill net per ton	Less than standard ¹		Equal to or greater than standard ¹	
						Net tons	Percent of total shipments	Mill net	Net tons
Eastern Pennsylvania, Philadelphia, Delaware	Coatesville, Claymont	27,885	41.75	14,709	43.41	2 14,706	52.7	40.06	13,179
Pittsburgh, North Ohio River	Pittsburgh	24,863	37.92	8,404	38.24	3 10,673	42.9	36.34	14,190
Chicago	Chicago-Gary	15,088	39.12	13,969	39.20	4 4,553	30.0	36.28	10,535
Birmingham	Birmingham	12,836	38.08	7,973	39.20	5 8,718	67.9	36.70	4,118
Baltimore	Sparrows Point	10,821	39.91	2,284	43.08	6 8,676	80.2	39.11	2,145
Youngstown	Youngstown	1,783	38.40	298	38.83	7 993	55.7	35.68	790
St. Louis	Chicago-Gary	1,259	37.80	1,062	37.16	8 558	44.3	36.00	701
Cleveland	Cleveland	967	40.50	702	41.98	9 460	47.6	38.78	507
Detroit	Cleveland	941	47.27	834	46.08	10 38	4.0	34.79	903
Total		96,443	39.58	50,175	40.55	50 175	51.2	38.00	47,068

¹ Standard Mill Net for each producing area is the mill net received on sales on nearest basing point.

² Comprises shipments to: Maine, New Hampshire, Connecticut, Eastern Pennsylvania, Pittsburgh, Cleveland, Youngstown, North Ohio River, Ohio-other, Indiana, Detroit, Michigan-other, St. Louis, Kansas City, Kansas, Baltimore, Maryland-other, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Kentucky, Tennessee, Alabama-other, Louisiana, Texas, Washington, Oregon, Southern California, Northern California. (Aggregate tons received in areas, 53,648.)

³ Comprises shipments to: Rhode Island, Metropolitan New York, Philadelphia, Youngstown, South Ohio River, Chicago, Illinois-other, Wisconsin, Minnesota, Iowa, St. Louis, Missouri-other, Nebraska, Kansas, Baltimore, District of Columbia, Georgia, Florida, Kentucky, Tennessee, Louisiana, Oklahoma, Texas, Colorado, Utah, Washington, Oregon, Southern California, Northern California. (Aggregate tons received in area, 54,132.)

⁴ Comprises shipments to: Central New York, Pittsburgh, Cleveland, Illinois-other, Detroit, Iowa, Nebraska, West Virginia, Arkansas, Oklahoma, Texas, Nevada. (Aggregate tons received, 21,958.)

⁵ Comprises shipments to: Philadelphia, Ohio-other, Illinois, St. Louis, Kansas City, Missouri-other, Kansas, Virginia, North Carolina, Tennessee, Birmingham, Oklahoma, Texas, Southern California, Northern California. (Aggregate tons received, 39,802.)

⁶ Comprises shipments to: Maine, Vermont, Massachusetts, Connecticut, Metropolitan New York, Buffalo, Philadelphia, Eastern Pennsylvania, Pittsburgh, Cleveland, Youngstown, Canton-Mansfield, Ohio-other, Indiana-other, Chicago, Illinois-other, Detroit, Michigan-other, Wisconsin, Iowa, St. Louis, Kansas City, Missouri-other, Nebraska, Baltimore, Maryland-other, West Virginia, North Carolina, South Carolina, Georgia, Florida, Oklahoma, Texas, Washington, Oregon, South Carolina, Northern California. (Aggregate tons received, 76,895.)

⁷ Comprises shipments to: Connecticut, Metropolitan New York, Buffalo, Philadelphia, Youngstown, Chicago, Illinois-other, Michigan-other, Minnesota, Tennessee, Texas, Arizona. (Aggregate tons received, 41,729.)

⁸ Comprises shipments to: St. Louis, Kansas City. (Aggregate tons received, 1394.)

⁹ Comprises shipments to: Eastern and Central New York, Buffalo, Cleveland, Chicago. (Aggregate tons received, 14,529.)

¹⁰ All producing areas indicated are the same as Form B consuming areas.

¹¹ Mill net as here used is mill net less extras.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 16.—Plates: Market Areas for Producing Areas as Determined by Actual Freight Paid or Allowed From Plant to Consuming Area, February 1939

	Producing Areas ¹						Total
	Eastern Pennsylvania, Philadelphia, Delaware, Baltimore	Pittsburgh, North Ohio River, Youngs- town	Chicago	Birming- ham	St. Louis	Cleveland	
1. Net tons shipped.....	38,706	26,646	15,098	12,836	1,259	967	96,443
2. Shipments received from all sources in consuming areas governed ² by each producing area (net tons).....	40.1	27.6	15.7	13.3	1.3	1.0	100.0
3. Shipments by producing areas to areas governed ² (net tons).....	42,506	16,224	20,677	8,085	2,482	3,842	96,443
4. Line 3 divided by line 1.....	44.1	16.8	21.5	8.4	2.6	4.0	100.0
5. Line 3 divided by line 2.....	30,871	12,284	13,538	6,478	1,184	207	64,325
6. Line 2 divided by line 1.....	73.8	75.7	65.5	80.1	1.8	5.0	66.7
7. Line 2 divided by line 2.....	79.8	46.1	89.7	50.5	3.5	21.4	96.0
8. Line 2 divided by line 1.....	109.8	60.9	137.0	63.0	197.1	397.3	100.0

¹ Producing areas listed correspond to Form B consuming districts.² Governed areas are those consuming areas into which plants in a given producing area have an actual freight advantage over all other producing areas as measured by average freight actually paid or allowed. See table 16-a.

Source: Compiled from Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 17.—Plates: Shipments Reported as Priced on Other Than Governing Basing Point, February 1939

Consuming area	Governing basing point	Other reported basing points	Net tons sold on other reported basing points	Percent of total consuming area receipts	Delivered value per ton		Freight absorption per ton		Computed base price per ton		Computed mill net price per ton	
					Gov- erning basing points	Other reported basing points	Gov- erning basing points	Other reported basing points	Gov- erning basing points	Other reported basing points	Gov- erning basing points	Other reported basing points
Maine.....	Coatesville	Sparrows Point.....	3	1.5	47.52	66.00	0.33	2.67	29.76	48.00	39.43	46.33
Vermont.....	Claymont.....	Cleveland.....	(4)		67.89	59.25	0.82		42.40		41.58	
	Claymont.....	Youngstown.....	(2)		55.51	58.00	0.39	1.50	43.71	46.00	43.32	44.50
Massachusetts.....	Sub Total.....		6	17.6								
	Coatesville	Sparrows Point.....	(28)		64.50	48.00	1.50	2.00	45.25	37.00	43.75	35.00
Rhode Island.....	Claymont.....	Cleveland.....	36	1.8	64.90	44.38	0.87	1.25	44.24	40.13	43.37	38.88
	Coatesville	Sub Total.....	4	40.0	113.83	47.00	1.17	0.00	98.33	33.50	97.16	33.50
Connecticut.....	Claymont.....	Pittsburgh.....	6	0.5	61.12	56.67	1.30	2.33	42.63	40.50	42.33	38.17
	Claymont.....	Sparrows Point.....	6		61.08		1.52		42.30		40.78	
Metropolitan New York.....	Claymont.....	Sparrows Point.....	11	0.2	48.16	47.18	2.09	4.09	40.97	43.27	38.88	39.18
	Claymont.....				53.94		0.84		43.86		43.01	
Buffalo.....	Pittsburgh.....	Buffalo*.....	(6)		45.91	35.83	5.00	5.50	41.97	35.33	36.97	29.83
	Claymont.....	Claymont.....	(41)		51.00	46.17	0.83	5.80	42.69	42.27	41.86	36.46
Eastern Pennsylvania.....	Youngstown.....	Sub Total.....	47	2.2	51.73		1.89		43.40		41.51	
	Pittsburgh.....				47.11		-0.44		39.56		40.00	
Youngstown.....	Sparrows Point.....	Cleveland.....	(4)		50.84	61.00	1.14	0.50	42.38	46.25	41.23	45.75
	Coatesville.....	Youngstown.....	(173)		47.60	47.29	.73	1.09	41.98	41.90	41.25	40.81
Pittsburgh.....	Claymont.....	Sub Total.....	177	4.0	45.66	60.00	0.11	5.00	41.26	47.00	40.51	42.00
	Youngstown.....	Cleveland.....	(2)		41.05		.75		37.33	42.02	37.22	37.63
South Ohio River.....	Chicago.....	Sub Total.....	(212)		45.39	52.22	2.24	4.40	40.39		38.15	
	Pittsburgh.....		214	7.1								
Ohio, other.....	Cleveland.....	Chicago-Gary.....	36	3.4	38.18		0.10		36.21		36.11	
	Pittsburgh.....				48.08	45.11	0.76	0.66	40.70	41.72	39.94	41.06
Chicago-Gary.....	Chicago-Gary.....				47.46		0.12		42.36		42.24	
	Cleveland.....				45.67		3.67		42.67		39.00	
Indiana, other.....	Youngstown.....	Sub Total.....	4		47.64		1.72		42.10		40.38	
	Chicago-Gary.....	Middletown*.....	4	0.2	50.77	43.50	3.07	0.25	43.08	39.25	40.00	39.00
Detroit.....	Chicago-Gary.....	Claymont.....	8	0.3	71.88	71.88	0.96	0.00	38.13	59.00	37.16	59.00
	Chicago-Gary.....	Pittsburgh.....	(30)		49.84	70.10	-0.40	0.60	43.14	62.60	43.54	62.00
Michigan, other.....	Cleveland.....	Detroit*.....	(55)		48.33	51.56	0.41	5.78	42.06	46.24	41.64	40.45
	Chicago-Gary.....	Sub Total.....	85	3.2								
Georgia.....	Cleveland.....	Birmingham.....	(36)		47.74	46.94	1.28	3.64	41.56	42.50	40.28	38.86
	Birmingham.....	Claymont.....	(2)		39.86	68.00	2.88	0.00	32.93	45.50	30.05	45.50
		Sub Total.....	38	4.7								
		Sparrows Point.....	81	15.1	48.97	49.84	1.29	1.56	41.21	42.38	39.92	40.83

Florida.....	Birmingham.....	Sparrows Point.....	(235) (370)	53.58	53.59	0.58	0.38	40.79	43.21	40.20	42.87
Alabama, other.....	Coatsville.....	Sub Total.....	608	74.1	54.16	1.35	1.35	41.92	41.92	41.18	40.57
Texas.....	Birmingham.....	Pittsburgh.....	20	3.2	57.80	1.53	0.20	42.71	41.50	37.01	41.30
All Areas ?.....	Birmingham.....	Sparrows Point.....	152	5.1	58.80	8.67	9.97	45.77	49.25	37.10	39.25
	Gulf Ports.....		1,533	1.6							

* Not listed as basing points by the Iron Age.

The "governing" basing point for any destination is determined by the freight rates after giving effect to the interbasing point price differentials, if any. (On the above product Coatsville and Claymont have both been listed as governing when so reported because of their close proximity and because their respective producing districts have been included in the same group in other calculations).

† Data are not available to check governing bases in Pacific Coast States. Total shipments to Arizona, Nevada, Idaho, Washington, Oregon, and California were 8,620 net tons.

‡ Of this amount 122 net tons or 1.4 percent were sold on other than "Pacific Ports" basing points.

§ Mill net used here is mill net less extras.

Source: Compiled from Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 18.—Plates: Shipments Sold at a Calculated Base Price ¹ Which Exceeds the Published Base Price ² February 1939

Consuming area	Basing Points											
	Pittsburgh		Chicago-Gary		Birmingham		Sparrows Point		Cleveland		Youngstown	
	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton
Maine.....							3	* \$6.00	4	*\$4.50	2	*\$4.00
Vermont.....												
Massachusetts.....												
Rhode Island.....												
Connecticut.....							11	*1.27				
Metropolitan New York.....	1	*\$1.00										
Eastern & Central New York.....												
Buffalo.....											335	10.08
Philadelphia.....											1,760	1.40
Eastern Pennsylvania.....							69	*0.38	4	*4.25		
Pittsburgh.....											456	1.73
Cleveland.....			212	*0.02					1,726	0.07		
Youngstown.....									2	*5.00		
North Ohio River.....	85	*0.26										
Canton, Massillon, Mansfield.....	8	*2.63										
Ohio, other.....	74	*0.36	3	*0.67					105	9.30	13	*0.08
Indiana, other.....									2,526	0.10		
Detroit.....	30	20.60	345	1.14					2,191	0.06		
Michigan, other.....					36	*\$0.50						
Wisconsin.....			937	2.03								
Minnesota.....			1,486	6.02								
Missouri.....			61	*0.31								
North Dakota.....			32	*0.19								
South Dakota.....			12	*0.08								
Delaware.....												
Maryland, other.....												
District of Columbia.....												
South Carolina.....												
Georgia.....					92	1.94						
Florida.....												
Kentucky.....			490	0.63								
Tennessee.....												
Alabama, other.....					1,680	0.89						
Arkansas.....					611	0.71						
Oklahoma.....					139	1.27						
Texas.....			418	0.53								
Idaho.....							152	7.25				

Consuming area	Basing Points									
	Coatesville		Claymont		Gulf Ports		Pacific Ports		Total	
	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton
New Mexico.....	.....	.....	24	*0.50	.....	.....	.....	.....	.....	.....
Arizona.....	6	*1.67	.....	.....	.....	.....	.....	.....	.....	.....
Washington.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Northern California.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	30	20.60	.....	.....	.....	.....	.....	.....	2,551	2.60
Percent of total shipments	0.3%	.....	3.676	3.20	2,522	2.58	6,803	0.24	54.3%	.....
	.....	16.8%	.....	23.5%	.....	9.9%	.....	93.8%	.....	.....
Maine.....	.....	.....	179	\$0.40	.....	.....	.....	.....	.....	.....
Vermont.....	.....	.....	1,557	1.71	.....	.....	.....	.....	.....	.....
Massachusetts.....	.....	.....	1,935	2.24	.....	.....	.....	.....	.....	.....
Rhode Island.....	4	*\$3.25	.....	.....	.....	.....	.....	.....	.....	.....
Connecticut.....	33	*0.63	4	56.33	.....	.....	.....	.....	.....	.....
Metropolitan New York.....	.....	.....	1,064	0.30	.....	.....	.....	.....	.....	.....
Eastern & Central New York.....	.....	.....	4,028	1.86	.....	.....	.....	.....	.....	.....
Buffalo.....	781	*0.06	.....	.....	.....	.....	.....	.....	.....	.....
Philadelphia.....	.....	.....	41	0.27	.....	.....	.....	.....	.....	.....
Eastern Pennsylvania.....	1,964	2.09	7,721	1.02	.....	.....	.....	.....	.....	.....
Pittsburgh.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Cleveland.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Youngstown.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
North Ohio River.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Canton, Massillon, Mansfield.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Outo, other.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Indiana, other.....	.....	.....	8	17.00	.....	.....	.....	.....	.....	.....
Detroit.....	.....	.....	2	*3.50	.....	.....	.....	.....	.....	.....
Michigan, other.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Wisconsin.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Minnesota.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Missouri.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
North Dakota.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
South Dakota.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Delaware.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Maryland, other.....	.....	.....	131	11.12	.....	.....	.....	.....	.....	.....
District of Columbia.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

*Excess may be accounted for by rounding fractional tons to the nearest whole number and has not been included in the total. Variations of .05 or less per ton excluding such error from rounding is also excluded from total.

† "Calculated Base Price" is the invoiced delivered value less freight added and less extras divided by the number of tons sold.

‡ Published Base Prices are those listed by February 1939 Iron Age. (Sales on other than published basing points are not listed.)

TABLE 18.—Plates: Shipments Sold at a Calculated Base Price Which Exceeds the Published Base Price February 1939—Continued

Consuming area	Basing Points									
	Coatesville		Claymont		Gulf Ports		Pacific Ports		Total	
	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton
South Carolina.....										
Georgia.....										
Florida.....										
Kentucky.....										
Tennessee.....										
Alabama, other.....										
Arkansas.....										
Oklahoma.....										
Texas.....							6	\$14.17		
Idaho.....							45	*0.13		
New Mexico.....										
Arizona.....										
Washington.....			1	*5.00			3,532	0.33		
Northern California.....										
Total.....	1,964 23.5%	2.09	16,627 99.1%	1.39			3,538 41.6%	0.35	38,428 39.8%	1.39
Percent of total shipments.....										

*Excess may be accounted for by rounding fractional tons to the nearest whole number and has not been included in the total. Variations of .05 or less per ton excluding such error from rounding is also excluded from total.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

PART 3

TABLE 1.—*Hot Rolled Sheets: Basing Points and Basing Point Prices, February 1939*

[Prices per net ton]

Basing Points	May 1938		February 1939	
	Base price ¹	Differential over Pittsburgh	Base price	Differential over Pittsburgh
Pittsburgh.....	\$48.00	-----	\$43.00	-----
Chicago-Gary ³	50.00	2.00	43.00	0.00
Birmingham.....	51.00	3.00	43.00	0.00
Buffalo.....	(?)	-----	43.00	0.00
Sparrows Point.....	(?)	-----	43.00	0.00
Cleveland.....	(?)	-----	43.00	0.00
Youngstown.....	(?)	-----	43.00	0.00
Middletown.....	(?)	-----	43.00	0.00
Granite City.....	52.00	4.00	45.00	2.00
Pacific Ports.....	59.00	11.00	53.00	10.00
Detroit ⁴	52.00	4.00	45.00	2.00

¹ 10 gage, hot rolled—24 gage were \$15 higher at all points except Pacific Ports where they were \$17 higher.² Not listed as a basing point by the Iron Age.³ Chicago not listed as a basing point in May 1938 (Gary only).⁴ Not a basing point. Prices quoted are delivered prices.

Source: Iron Age, February 1939, all issues and May 1938 all issued prior to revision of extras and base prices.

TABLE 2.—*Hot Rolled Sheets: Distribution of Capacity by Distance from Nearest Basing Point*

Distance from nearest basing point (air Miles) ¹	Capacity (1,000 gross tons) ²	Percent of total capacity
Total United States.....	³ 11,167.45	100.0
0-25.....	⁴ 6,440.85	57.7
26-50.....	2,255.8	20.2
51-100.....	1,905.9	17.1
Over 100.....	564.9	5.0

¹ Includes all basing points listed in the Iron Age after the change in basing points in June, 1938.² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938 and the Iron Age.³ Includes capacity at Dravosburg, Pennsylvania as reported by the United States Steel Corporation in addition to capacity listed by the Directory.⁴ Includes 82,300 gross tons on the Pacific Coast.

TABLE 3.—*Hot Rolled Sheets: Distribution of Total and Sampled Capacity*

Producing area ¹	Total U. S. Capacity ²		Capacity sampled	
	1,000 gross tons	Percent of total	1,000 gross tons	Percent of total capacity sampled ³
Total United States	² 11, 167. 45	100. 0	³ 8, 806. 3	78. 9
Integrated ⁴	(9, 581. 10)	⁴ (85. 8)	(7, 846. 30)	(81. 9)
Semi-integrated	(1, 089. 65)	(9. 8)	689. 00	(63. 2)
Non-integrated	(496. 70)	(4. 4)	(271. 00)	(54. 6)
Pittsburgh	1, 463. 55	13. 1	1, 407. 60	96. 2
Chicago	1, 286. 40	11. 5	1, 093. 90	85. 0
Cleveland	1, 199. 20	10. 7	1, 104. 00	92. 1
Youngstown	1, 163. 80	10. 4	826. 00	71. 0
Detroit	1, 067. 70	9. 6	553. 00	51. 8
North Ohio River	977. 00	8. 8	788. 00	80. 7
Canton, Massillon, Mansfield	718. 10	6. 4	179. 00	24. 9
Buffalo	703. 20	6. 3	700. 00	99. 5
Middletown-Newport	658. 00	5. 9	658. 00	100. 0
Portsmouth-Ashland	530. 00	4. 7	446. 00	84. 2
Baltimore	498. 00	4. 5	418. 00	83. 9
Birmingham	319. 80	2. 9	319. 80	100. 0
Indiana, all other	166. 00	1. 5	70. 00	42. 2
Eastern Pennsylvania, Philadelphia, Delaware	141. 50	1. 3	108. 00	76. 3
St. Louis	135. 00	1. 2	135. 00	100. 0
Areas Not in the Sample:				
California (northern and southern)	82. 30	0. 7	.....	.....
West Virginia, other	32. 10	0. 3	.....	.....
Kansas City	23. 00	0. 2	.....	.....
Eastern and Central New York	2. 80	(⁵)	.....	.....

¹ Producing areas conform to Form B consuming areas except Middletown-Newport and Portsmouth-Ashland. These areas include only the capacity at these respective points.

² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938, plus the capacity reported by the United States Steel Corporation at Dravosburg, Pennsylvania.

³ Of the capacity sampled 89.2 percent represented integrated companies, 7.8 percent, semi-integrated companies and 3.0 percent non-integrated companies.

⁴ Degree of integration here used is company integration. (Not plant).

⁵ Less than .05 percent.

TABLE 4.—*Hot Rolled Sheets: Sampled Capacity by Producing Areas, and Shipments by Producing Area*

Producing areas ¹	Capacity Sampled ²		February 1939 shipments ³	
	1000 gross tons	Percentage	Tonnage (Net tons)	Percentage
Total United States	8806. 3	100. 0	190, 910	100. 0
Pittsburgh	1407. 6	16. 0	21, 912	11. 5
Chicago	1093. 9	12. 4	41, 401	21. 7
Cleveland	1104. 0	12. 5	20, 811	10. 9
Youngstown	826. 0	9. 4	14, 891	7. 8
North Ohio River	788. 0	9. 0	14, 836	7. 8
Buffalo	700. 0	7. 9	8, 246	4. 3
Middletown-Newport	658. 0	7. 5	8, 566	4. 5
Detroit	553. 0	6. 3	29, 792	15. 6
Portsmouth-Ashland	446. 0	5. 1	4, 299	2. 2
Baltimore	418. 0	4. 8	13, 878	7. 3
Birmingham	319. 8	3. 6	6, 752	3. 5
Canton-Massillon-Mansfield	179. 0	2. 0	1, 009	. 5
St. Louis	135. 0	1. 5	2, 677	1. 4
Eastern Pennsylvania-Philadelphia-Delaware	108. 0	1. 2	1, 277	. 7
Indiana-other	70. 0	0. 8	563	. 3

¹ Producing areas conform to Form B consuming areas except: Middletown-Newport and Portsmouth-Ashland which include capacity in those cities only.

² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938, plus capacity at Dravosburg, Pennsylvania.

³ Compiled from Temporary National Economic Committee Form B, February 1939.

TABLE 5.—*Hot Rolled Sheets: Distribution of Total Capacity and Form A Sampled Capacity by Producing Area (District Sample)*

Producing area ¹	Total U. S. capacity Tonnage ¹ (1000 gross tons)	Capacity sampled	
		Tonnage (1000 gross tons)	Percent sampled by producing area
Total United States.....	11, 167. 45	5360. 3	48. 0
Pittsburgh.....	1, 463. 55	1108. 4	75. 7
Chicago.....	1, 286. 40	863. 9	67. 2
Cleveland.....	1, 199. 20	.....	.....
Youngstown.....	1, 163. 80	915. 8	78. 7
Detroit.....	1, 067. 70	.....	.....
North Ohio River.....	977. 00	19. 1	2. 0
Canton, Massillon, Mansfield.....	718. 10	.....	.....
Buffalo.....	703. 20	700. 0	99. 5
Middletown-Newport.....	658. 00	478. 0	72. 6
Portsmouth-Ashland.....	530. 00	446. 0	84. 2
Baltimore.....	498. 00	418. 0	83. 9
Birmingham.....	319. 80	193. 8	60. 6
Indiana-other.....	166. 00	.....	.....
Eastern Pennsylvania, Philadelphia, and Claymont.....	141. 50	.....	.....
St. Louis.....	135. 00	135. 0	100. 0
California (northern and southern).....	82. 30	82. 3	100. 0
West Virginia, other.....	32. 10	.....	.....
Kansas City.....	23. 00	.....	.....
Eastern and Central New York.....	2. 80	.....	.....

¹ Producing areas conform to Form B consuming areas except Middletown-Newport and Portsmouth Ashland which include capacity at these points only.

² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938, plus capacity reported by the U. S. Steel Corporation at Dravosburg, Pa.

TABLE 5A.—*Hot Rolled Sheets: Distribution of Total Capacity and Form A Sampled Capacity by States (State Sample) 1938*

State	Total U. S. capacity tonnage ¹ (1000 gross tons)	Capacity sampled	
		Tonnage (1000 gross tons)	Percent sampled by State
Total United States.....	11, 167. 45	9, 185. 9	82. 3
Ohio.....	4, 144. 2	3, 579. 6	86. 4
Pennsylvania.....	1, 645. 85	1, 373. 2	83. 4
Indiana.....	1, 309. 9	859. 9	65. 6
Michigan.....	1, 067. 7	² 717. 0	67. 2
New York.....	706. 0	700. 0	99. 2
Kentucky.....	626. 0	446. 0	71. 2
Maryland.....	498. 0	418. 0	83. 9
West Virginia.....	443. 2	³ 411. 1	92. 8
Alabama.....	319. 8	319. 8	100. 0
Illinois.....	277. 5	255. 0	91. 9
California.....	82. 3	82. 3	100. 0
Delaware.....	24. 0	24. 0	100. 0
Missouri.....	23. 0	.....	.....

¹ Compiled from the Iron and Steel Works Director of the United States and Canada, 1938 plus capacity reported by the U. S. Steel Corporation at Dravosburg, Pa.

² 553,000 gross tons of this capacity is not included in calculations for tables 6 and 7.

³ 296,000 gross tons of this capacity is not included in calculations for tables 6 and 7.

TABLE 6.—*Hot Rolled Sheets: Relative Stability of Tonnage Distribution by Consuming Region, 1936, 1937, 1938 and February 1939*

	Form A distribution by states			Form A distribution by consuming districts			Form B distribution—February 1939
	1936	1937	1938	1936	1937	1938	
All regions (net tons).....	1,242,929	2,323,066	1,322,505	1,010,706	1,952,508	1,073,369	190,910
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North Eastern ¹	25.1	23.8	24.7	24.5	23.6	23.8	19.8
North Central ²	57.2	59.5	55.7	54.0	57.4	53.5	69.1
West Central ³	3.5	3.2	3.5	4.7	3.8	4.1	3.1
South Eastern ⁴	3.8	2.7	2.9	4.3	2.9	3.3	0.8
Southern and Southwestern ⁵	6.2	5.6	6.8	7.7	6.5	8.0	6.5
Mountain & Western ⁶	4.2	5.2	6.4	4.8	5.8	7.3	0.7

¹ Includes following states and consuming districts: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, *Pennsylvania, New York City*, Eastern & Central New York, Buffalo, Philadelphia, Eastern Pennsylvania, Pittsburgh.

² Includes following states and consuming districts: Ohio, Indiana, Illinois, *Michigan*, Wisconsin, Minnesota, Cleveland, Youngstown, North Ohio River, Canton-Mansfield, South Ohio River, Ohio-other, Indiana-other, Chicago, Illinois-other, *Detroit*, Michigan-other.

³ Includes following states and consuming districts: Iowa, *Missouri*, North Dakota, South Dakota, Nebraska, Kansas, *St. Louis*, Kansas City, Missouri-other.

⁴ Includes following states and consuming districts: Maryland, District of Columbia, Virginia, *West Virginia*, North Carolina, South Carolina, Georgia, Florida, Baltimore, Maryland-other.

⁵ Includes following states and consuming districts: Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, Texas, Birmingham, Alabama-other.

⁶ Includes following states and consuming districts: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Washington, Oregon, *California*, Northern California, *Southern California*.

NOTE.—Each region is defined by the areas listed, eliminating duplications. The most important states and consuming districts in each region have been underlined.

TABLE 7.—*Hot Rolled Sheets: Range of Variation of Tonnage Distribution in Consuming States and Consuming Districts, 1936, 1937, 1938 & February 1939*

[Range of distribution of percentages by areas]

Range	Form A: 1936-1938 inclusive		Forms A & B: 1936-1938 inclusive and February 1939—By 64 districts: Number of districts
	By 49 states: Number of states ¹	By 64 districts: Number of districts	
Over 5.0.....	-----	1	2
2.1-5.0.....	3	4	8
1.1-2.0.....	5	9	10
.6-1.0.....	3	5	5
0.5 or under.....	38	45	39
Total.....	49	64	64

¹ Includes the District of Columbia.

Source: Compiled from the Temporary National Economic Committee questionnaire Forms A and B.

TABLE 8.—Hot Rolled Sheets: Selected Consuming Areas for Detailed Analysis, February 1939

Producing area ¹	Basing point ²	All consuming areas (net tons)	Selected consuming areas (net tons) ³	Percent
All producing areas	All basing points.....	190, 910	161, 035	84. 4
Chicago.....	All basing points.....	41, 401	36, 729	88. 7
	Pittsburgh.....	402	379	94. 3
	Sparrows Point.....	321	151	47. 0
	Chicago-Gary.....	27, 580	25, 269	91. 6
	Birmingham.....	212	96	45. 3
	Buffalo.....	351	26	7. 4
	Cleveland.....	1, 689	1, 689	100. 0
	Middletown.....	2, 372	2, 265	95. 5
	Detroit ⁴	6, 854	6, 854	100. 0
St. Louis.....	All basing points.....	2, 677	1, 205	45. 1
	Chicago-Gary.....	1, 631	1, 119	68. 6
	Birmingham.....	194	75	38. 7
	Granite City.....	852	11	1. 3
Detroit.....	All basing points.....	29, 792	27, 979	93. 9
	Pittsburgh.....	14	14	100. 0
	Sparrows Point.....	2, 100	833	39. 7
	Chicago-Gary.....	5, 774	5, 459	94. 5
	Cleveland.....	1, 178	1, 178	100. 0
	Middletown.....	1, 060	1, 060	100. 0
	Detroit ⁴	19, 435	19, 435	100. 0
Cleveland.....	All basing points.....	20, 811	18, 461	88. 7
	Pittsburgh.....	461	461	100. 0
	Sparrows Point.....	776	776	100. 0
	Chicago-Gary.....	1, 181	1, 076	91. 1
	Buffalo.....	1, 599	1	0. 1
	Cleveland.....	6, 474	6, 295	97. 2
	Youngstown.....	493	408	82. 8
	Middletown.....	1, 139	1, 123	98. 6
	Detroit ⁴	8, 321	8, 321	100. 0
Youngstown.....	All basing points.....	14, 891	12, 757	85. 7
	Pittsburgh.....	3, 104	3, 035	97. 8
	Sparrows Point.....	1, 109	826	74. 5
	Chicago-Gary.....	2, 564	2, 441	95. 2
	Birmingham.....	345	13	3. 8
	Buffalo.....	760	16	2. 1
	Cleveland.....	2, 239	2, 183	97. 4
	Youngstown.....	3, 412	3, 379	99. 0
	Middletown.....	954	864	90. 6
	Claymont ⁴	11	11	100. 0
Pittsburgh.....	All basing points.....	21, 912	16, 853	76. 9
	Pittsburgh.....	7, 820	6, 001	76. 7
	Sparrows Point.....	2, 018	1, 640	81. 3
	Chicago-Gary.....	1, 077	883	82. 0
	Birmingham.....	2, 647	2, 611	98. 6
	Buffalo.....	1, 470	15	1. 0
	Cleveland.....	2, 326	2, 084	89. 6
	Youngstown.....	3, 219	2, 370	73. 6
	Middletown.....	572	560	97. 9
	Detroit ⁴	689	689	100. 0
Buffalo.....	All basing points.....	8, 246	5, 590	67. 8
	Pittsburgh.....	86	86	100. 0
	Sparrows Point.....	1, 262	1, 203	95. 3
	Chicago-Gary.....	1, 070	761	71. 1
	Buffalo.....	2, 021	13	0. 6
	Cleveland.....	3, 505	3, 397	96. 9
	Middletown.....	131	130	99. 2
Philadelphia.....	All basing points.....	1, 277	1, 066	83. 5
	Sparrows Point.....	1, 065	999	93. 8
	Birmingham.....	67	67	100. 0
Baltimore.....	All basing points.....	13, 878	12, 099	87. 3
	Pittsburgh.....	51	44	86. 3
	Sparrows Point.....	11, 293	10, 629	94. 1
	Chicago-Gary.....	165	124	75. 2
	Birmingham.....	2, 104	2, 091	99. 4
	Buffalo.....	194	21	10. 8

¹ Producing areas conform to Form B consuming Areas except Middletown-Newport and Ashland. These areas include only the points listed.

² Lists only basing points governing selected consuming areas.

³ Consuming areas taking 2% or more of total shipments. Areas selected were: Metropolitan New York, Philadelphia, Eastern Pennsylvania, Pittsburgh, Cleveland, Youngstown, Ohio-other, Indiana, Chicago, Illinois-other, Detroit, Michigan-other, Texas.

⁴ Not listed as a basing point by the Iron Age.

⁵ A delivered price.

TABLE 8.—*Hot Rolled Sheets: Selected Consuming Areas for Detailed Analysis, February 1939—Continued*

Producing area	Basing point	All consuming areas (net tons)	Selected consuming areas (net tons)	Percent
Birmingham.....	All basing points.....	6,752	2,714	40.2
	Pittsburgh.....	2	2	100.0
	Sparrows Point.....	122	6	4.9
	Chicago-Gary.....	28	28	100.0
	Birmingham.....	6,114	2,673	43.7
	Middletown.....	5	5	100.0
Middletown-Newport.....	All basing points.....	8,566	7,543	88.1
	Pittsburgh.....	471	471	100.0
	Sparrows Point.....	822	709	86.3
	Chicago-Gary.....	1,973	1,762	89.3
	Birmingham.....	265	200	75.5
	Cleveland.....	1,652	1,500	90.8
	Youngstown.....	47	47	100.0
	Middletown.....	3,058	2,584	93.3
Ashland.....	All basing points.....	4,299	3,569	83.0
	Pittsburgh.....	6	6	100.0
	Sparrows Point.....	522	388	64.7
	Chicago-Gary.....	969	874	90.2
	Buffalo.....	308	12	3.9
	Cleveland.....	1,096	1,096	100.0
	Middletown.....	1,245	1,243	99.8
Indiana—other.....	All basing points.....	563	453	80.5
	Sparrows Point.....	2	2	100.0
	Chicago-Gary.....	509	451	88.6
Canton, Massillon, Mansfield.....	All basing points.....	1,009	932	92.4
	Pittsburgh.....	87	80	91.9
	Sparrows Point.....	12	7	58.3
	Chicago-Gary.....	28	27	96.4
	Cleveland.....	803	741	92.3
	Youngstown.....	3	3	100.0
	Middletown.....	74	74	100.0
North Ohio River.....	All basing points.....	14,836	12,264	82.7
	Pittsburgh.....	2,676	2,604	97.3
	Sparrows Point.....	3,119	2,671	66.4
	Chicago-Gary.....	2,282	1,278	56.0
	Cleveland.....	1,276	1,086	85.1
	Youngstown.....	796	606	76.1
	Middletown.....	1,861	1,861	100.0
	Detroit ¹	2,758	2,758	100.0
All producing areas.....	Pittsburgh.....	15,180	13,183	86.8
	Sparrows Point.....	24,543	20,190	81.9
	Chicago-Gary.....	45,831	41,552	90.7
	Birmingham.....	12,670	7,826	61.8
	Granite City.....	3,576	11	0.3
	Buffalo.....	7,600	104	1.4
	Cleveland.....	22,098	21,249	96.2
	Youngstown.....	7,950	6,813	85.4
	Middletown.....	12,497	12,039	96.3
	Claymont.....	11	11	100.0
	Detroit ²	38,057	38,057	100.0
	Pacific Ports.....	857	0	0.0
	Gulf Ports ³	10	0	0.0

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February, 1939.

TABLE 9.—*Hot Rolled Sheets: Freight Absorption on Shipments to Selected Consuming Areas, February 1939*

Selected consuming area ¹	Total net tons shipped to consuming area listed	Freight absorption on all shipments to area	Shipments from "governing" producing area ²				Shipments from other producing areas		
			Producing area	Net tons shipped	Percent of total shipments to area	Freight absorption per net ton	Net tons shipped	Percent of shipments to area	Freight absorption per net ton
Detroit.....	46,153	\$2.10	Detroit.....	19,435	42.1	\$.50	26,718	57.9	\$3.27
Detroit (adjusted) ³	(46,153)	(.59)	Detroit.....	(19,435)	(42.1)	(-1.50)	(26,718)	(57.9)	(2.11)
Chicago.....	27,091	1.26	Chicago.....	20,027	73.9	.14	7,064	26.1	3.45
Cleveland.....	14,677	1.94	Cleveland.....	5,745	39.1	.09	8,932	60.9	3.12
Philadelphia.....	11,151	3.30	Philadelphia.....	5,418	3.8	-2.77	10,733	96.2	3.54
Ohio—other.....	9,456	1.62	Canton-Massillon-Mansfield	79	0.8	-1.66	9,377	99.2	1.64
Ohio—other (adjusted) ⁴	(9,456)	(1.55)	Canton-Massillon-Mansfield	(79)	(0.8)	(-1.68)	(9,377)	(99.2)	(1.57)
Michigan—other.....	(9,329)	(2.10)	Detroit.....	1,354	41.5	(-.68)	8,975	85.5	2.57
Michigan—other (adjusted) ⁴	(9,329)	(1.47)	Detroit.....	(1,354)	(41.5)	(-0.68)	(8,975)	(85.5)	(1.83)
Indiana—other.....	9,139	1.61	Indiana—other.....	270	3.0	-1.09	8,869	97.0	1.63
Texas.....	7,880	-2.32	Pittsburgh.....	2,611	33.1	-2.92	5,269	66.9	-2.03
Metropolitan New York.....	7,109	1.83	Philadelphia ³	140	2.0	-1.61	6,969	98.0	1.90
Youngstown.....	6,494	.93	Youngstown.....	3,179	49.0	-1.07	3,315	51.0	1.36
Eastern Pennsylvania.....	4,353	.16	Philadelphia ³	441	10.1	-1.59	3,912	89.9	1.77
Pittsburgh.....	4,319	1.13	Middletown-Newport.....	164	3.8	.20	4,155	96.2	1.77
Illinois—other.....	3,884	1.24	Chicago.....	2,179	56.1	.05	1,705	43.9	2.77
Illinois—other (adjusted) ⁴	(3,884)	(1.23)	St. Louis.....	(11)	(0.3)	(-1.64)	(3,873)	(99.7)	(1.23)
Total of above areas.....	161,035	1.60		56,042	34.8	.04	104,993	65.2	2.43
Total (adjusted) ⁴	(161,035)	(1.13)		(53,874)	(33.5)	(-0.69)	(107,161)	(66.5)	(2.04)

¹ Consuming areas taking 2 percent or more of total shipments, February 1939.² The "governing" producing area is that area having the lowest freight absorption on shipments to the consuming area listed.³ Total shipments made by plants in this area were less than the total receipts in the areas governed. Therefore the implication that these plants should serve the governed area is not justified.⁴ Figures shown in brackets have been adjusted for basing point price differentials of \$2.00 per ton on sales on the Granite City basing point and \$2.00 per ton on Detroit delivered sales.

Source: Compiled from Temporary National Economic Committee questionnaire Form B, February 1939.

Texas.....	43.00	42.80	37.00	43.75	32.50	42.16	44.39	42.69
Chicago-Gary	43.00	42.80	37.00	42.08	42.92	35.07	43.69	
Birmingham.....								

¹ Consuming areas receiving 2 percent or more of the total shipments.

² Not a basing point (delivered price).

³ As listed by all February 1939 issues of the Iron Age.

⁴ Producing areas conform to Form B consuming areas, except: Middletown-Newport and Ashland which in each case include only the cities listed.

* Represents shipments of less than 5 net tons.

Source: Compiled from Temporary National Economic Committee Form B questionnaire, February 1939.

TABLE 11.—*Hot Rolled Sheets: Published Base Prices and Calculated Base Prices by Basing Points February 1939*

Basing point	Published base price per net ton ¹	Calculated base price per net ton ²	Basing point	Published base price per net ton ¹	Calculated base price per net ton ²
Pittsburgh	\$43.00	\$38.51	Youngstown	\$43.00	\$39.21
Chicago-Gary	43.00	38.71	Middletown	43.00	40.97
Birmingham	43.00	37.20	Detroit ³	45.00	41.80
Buffalo	43.00	39.38	Granite City	45.00	42.57
Sparrows Point	43.00	38.81	Pacific Ports	53.00	51.58
Cleveland	43.00	38.38			

¹ Listed by all February 1939 issues of the Iron Age.² Compiled from Temporary National Economic Committee questionnaire Form B, February 1939.³ Delivered price (not a basing point).

TABLE 12.—Hot Rolled Sheets: Total Sales by Grouped Mills in Each Producing Area on Nearest Basing Point and on All Other Basing Points February 1939

Producing area ¹	Nearest basing point	Net tons sold				Mill net less extras per ton				Freight absorption per net ton		
		On all basing points	On nearest basing point	On other than nearest basing point	Percent sold on nearest basing point	Percent sold on other than nearest basing point	On sales on all basing points	On sales on nearest basing point	On sales on other than nearest basing point	On sales on all basing points ²	On sales on nearest basing point ³	On sales on other than nearest basing point ³
All producing areas.....		190,910	95,939	94,971	50.3	49.7	37.82	38.78	36.85	1.69 (1.21)	0.47 (0.05)	2.92 (2.38)
Chicago.....	Chicago-Gary.....	41,401	27,580	13,821	66.6	33.4	37.81	38.12	37.18	1.31 (0.87)	0.12 (2.36)	3.69 (2.36)
Pittsburgh, North Ohio River.....	Pittsburgh.....	36,748	10,496	26,252	28.6	71.4	37.16	36.95	37.24	2.45 (2.22)	2.34	2.50 (2.18)
Detroit.....	Cleveland or Detroit ¹	29,792	20,613	9,179	69.2	30.8	40.58	40.91	39.84	1.27 (-0.04)	0.59 (-1.30)	2.80 (2.77)
Cleveland.....	Cleveland.....	20,811	6,474	14,337	31.1	68.9	38.20	39.29	37.70	2.99 (1.72)	0.41 (2.31)	3.57 (2.31)
Youngstown.....	Youngstown.....	14,891	3,412	11,479	22.9	77.1	37.06	39.08	36.29	1.82 (1.74)	-0.10 (2.29)	2.36 (2.29)
Baltimore.....	Sparrows Point.....	13,878	11,293	2,585	81.4	18.6	37.25	37.12	37.79	0.54 (0.51)	0.90 (-1.21)	-1.04 (3.40)
Middletown, Newport, Ashland.....	Middletown.....	12,865	4,303	8,562	33.4	66.6	36.27	39.03	35.22	2.39 (2.31)	0.39 (3.21)	3.40 (3.28)
Buffalo.....	Buffalo.....	8,246	2,025	6,221	24.6	75.4	35.49	39.60	34.14	3.21 (3.01)	0.20 (-1.12)	4.20 (3.04)
Birmingham.....	Birmingham.....	6,752	6,514	238	96.5	3.5	38.18	38.15	38.93	-1.07 (-1.12)	-1.25 (2.34)	3.76 (2.34)
St. Louis.....	Granite City.....	2,677	852	1,825	31.8	68.2	41.61	44.08	40.46	0.53 (-0.11)	0.26 (-1.74)	6.65 (0.65)
Philadelphia.....	Sparrows Point.....	1,277	1,095	212	83.4	16.6	42.39	42.14	43.63	-0.70 (-1.84)	-2.01 (1.03)	5.86 (-0.98)
Canton, Massillon, Mansfield.....	Cleveland.....	1,009	803	206	79.6	20.4	37.41	37.03	38.87	1.04 (1.04)	1.03 (0.74)	1.08 (4.37)
Indiana, other.....	Chicago-Gary.....	563	509	54	90.4	9.6	39.08	39.39	36.20	0.66 (0.66)	0.35	(3.52)

¹ Producing areas conform to Form B consuming areas except Middletown, Newport and Ashland which includes shipments from these points only.² Quoted delivered price at Detroit.³ Figures in parentheses are the adjusted amounts of freight absorption per ton after correcting for price differentials of \$10.00 per ton on sales on Pacific Port basing points and per ton on the Granite City basing points and \$2.00 per ton on Detroit delivered sales.

Source: Compiled from Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 13.—*Hot Rolled Sheets: Shipments Received Compared to Shipments Made by Producing Areas, February 1939*

Producing area ¹	Total shipments made by producing area	Shipments received in producing area			
		Total received in producing area	Received from identical area	Percent received from identical area	Total received in area as a percent of total shipments from the area
All producing areas.....	190,910	155,381	81,203	52.1	81.7
Chicago, Indiana, other, Illinois, other.....	41,964	40,114	25,738	64.2	95.6
Pittsburgh, North Ohio River.....	36,748	6,044	4,441	73.5	16.4
Youngstown, Cleveland, Canton-Massillon-Mansfield.....	36,711	23,295	12,573	54.0	63.5
Detroit.....	29,792	46,153	19,435	42.1	154.9
Baltimore, Philadelphia, Eastern Pennsylvania, Metropolitan New York.....	15,155	22,921	11,774	51.4	151.2
Kentucky, Ohio, other.....	12,865	9,844	4,378	44.5	76.5
Buffalo.....	8,246	3,287	1,109	33.7	39.9
Birmingham, Alabama, other.....	6,752	1,038	992	95.6	15.4
St. Louis.....	2,677	3,185	763	24.0	119.0

¹ Producing areas conform to Form B consuming areas. Major consuming areas contiguous to producing areas which have been included are indicated in the stub.

Source: Compiled from Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 14.—Hot Rolled Sheets: Analysis of the Market Areas of Grouped Plants as Measured by the Freight Absorption on Shipments Priced on the Nearest Basing Point February 1930

Producing area ¹⁴	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which freight absorption is:			
		Net tons	Freight absorption per ton	Net tons	Freight absorption per ton	Equal to or less than standard ¹		Greater than standard ¹	
						Net tons	Freight absorption per ton	Net tons	Percent of total shipments
Chicago.....	Chicago-Gary.....	41,401	1.31	27,580	.12	3,398	.04	37,403	90.3
Pittsburgh.....	Pittsburgh.....	36,748	2.45	10,496	2.31	15,680	.67	21,068	57.4
Detroit.....	Detroit or Detroit ¹⁰	29,792	1.27	20,613	.59	4,789	.43	9,003	30.2
Cleveland.....	Cleveland.....	20,811	2.59	9,474	.41	10,380	.50	14,531	69.4
Youngstown.....	Youngstown.....	14,801	1.62	9,412	—	15,891	—	14,891	100.0
Selfmore.....	Selfmore.....	13,878	1.54	11,293	.90	8,762	.50	3,116	23.9
Middletown-Ashland-Newport.....	Middletown.....	12,865	2.39	4,203	.39	3,368	—	9,500	73.8
Buffalo.....	Buffalo.....	12,243	3.21	2,095	.20	7,838	—	4,405	36.3
Birmingham.....	Birmingham.....	8,752	1.07	6,554	—	7,898	—	7,808	88.6
St. Louis.....	St. Louis.....	6,577	—	53	—	12,347	—	3,308	50.0
Philadelphia.....	Granite City.....	2,277	.53	852	—	12,672	—	1,005	44.1
Canton-Massillon-Mansfield.....	Springville Point.....	1,277	.70	1,085	—	11,491	—	1,036	81.2
Indiana-Other.....	Cleveland.....	1,009	1.04	803	—	6,148	—	861	85.3
	Chicago-Gary.....	563	.74	509	.35	10,270	—	253	52.0
Total.....		190,910	1.69	95,939	.47	66,117	.10	124,793	65.4

¹ Standard freight absorption for each producing area is the freight absorption on sales on the nearest basing point.

² Comprises shipments to: Maine, Massachusetts, Eastern and Central New York, Eastern Pennsylvania, Pittsburgh, Youngstown, North Ohio River, Canton-Massillon, Mansfield, South Ohio River, Ohio-Other, Maryland-Other, Virginia, West Virginia, Texas, New Hampshire, Rhode Island, Connecticut (aggregate tons received in area 44,772).

³ Comprises shipments to: Illinois-Other, Minnesota, Iowa, North Dakota, Nebraska, Montana, Utah (aggregate tons received 5605).

⁴ Comprises shipments to: Cleveland, Youngstown, North Ohio River, Canton-Massillon-Mansfield (aggregate tons received 2529).

⁵ Comprises shipments to: Detroit, Michigan-Other (aggregate tons received 55482).

⁶ Comprises shipments to: Canton-Massillon-Mansfield, Ohio-Other (aggregate tons received 11580).

⁷ Comprises shipments to: Maine, Massachusetts, Eastern and Central New York (aggregate tons received 5006).

⁸ Comprises shipments to: Pittsburgh, South Ohio River, Ohio-Other, Kentucky (aggregate tons received 14506).

⁹ Comprises shipments to: Maine, Massachusetts, Connecticut, Metropolitan New York, Eastern Pennsylvania, Cleveland, Baltimore, Virginia, North Carolina, Texas (aggregate tons received 38234).

¹⁰ Comprises shipments to: Indiana-Other (aggregate tons received 9139).

¹¹ Comprises shipments to: Philadelphia, Delaware, Texas (aggregate tons received 19037).

¹² Comprises shipments to: Indiana-Other, Iowa, St. Louis, Kansas City, Missouri-Other, Kansas, Kentucky, Arkansas, Texas (aggregate tons received 23079).

¹³ Comprises shipments to: Arkansas, Louisiana, Texas, New Mexico (aggregate tons received 8445).

¹⁴ All plant locations indicated correspond to Form "B." Consuming Areas except Middletown-Ashland-Newport in which case the points listed comprise the area.

¹⁵ There are no shipments lower than standard in this instance, because shipments from given plant locations to given consuming areas have been aggregated irrespective of basing points. The weight of sales on foreign basing points raises the average.

¹⁶ Quoted delivered price at Detroit.

Source: Compiled from Temporary National Economic Committee questionnaire Form B, February 1930.

TABLE 14A.—Hot Rolled Sheds: Analysis of the Market Areas of Grouped Plants as Measured by the Freight Absorption on Shipments Prices on the Nearest Basing Point (Adjusted for Basing Point Price Differentials), February 1939

Producing area ¹⁴	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which freight absorption is:				
		Net tons	Freight absorption per ton	Net tons	Freight absorption per ton	Equal to or less than standard ¹		Greater than standard ¹		
						Net tons	Freight absorption	Net tons	Percent of total shipments	Freight absorption
Chicago.....	Chicago-Gary.....	41,401	0.87	27,580	0.12	3,4105	.04	37,296	90.1	0.96
Pittsburgh.....	Pittsburgh.....	36,748	2.22	10,496	2.34	15,731	.65	21,017	57.2	3.39
Pittsburgh, North Ohio River.....	Cleveland or Detroit ¹⁸	29,792	-0.41	20,613	-1.30	20,789	1.44	9,003	30.2	3.19
Detroit.....	Cleveland.....	20,811	1.72	6,474	0.41	6,580	.30	14,231	68.4	2.38
Cleveland.....	Youngstown.....	14,891	1.74	3,412	-0.10	15,29	-4.73	14,862	99.8	1.75
Youngstown.....	Sparrows Point.....	13,878	0.51	11,293	0.90	8,782	-.50	5,096	36.7	2.25
Baltimore.....	Mt. Vernon.....	12,865	2.31	4,303	0.39	3,365	-.21	9,500	73.8	3.20
Middletown-Ashland-Newport.....	Buffalo.....	8,246	3.01	2,025	0.20	7,938	.08	7,308	88.6	3.39
Buffalo.....	Birmingham.....	6,752	-1.12	6,514	-1.25	13,444	-2.39	3,308	49.0	.19
Birmingham.....	Granite City.....	2,677	-0.11	1,852	-1.74	12,802	-1.80	1,875	70.0	.61
St. Louis.....	Sparrows Point.....	1,277	-1.84	1,065	-2.01	11,491	-2.81	786	61.6	1.23
Philadelphia.....	Canton-Mansfield.....	1,009	1.04	803	1.03	6148	1.97	861	85.3	1.56
Canton-Massillon-Mansfield.....	Chicago-Gary.....	563	0.66	599	0.35	10,270	-1.09	293	52.0	2.26
Indiana-other.....		190,910	1.21	95,939	0.05	65,474	-.52	125,436	65.7	2.11

¹ Standard freight absorption for each producing area is the freight absorption on sales on the nearest basing point.

² Comprises shipments to: Maine, Massachusetts, Eastern and Central New York, Eastern Pennsylvania, Pittsburgh, Youngstown, North Ohio River, Canton-Mansfield, South Ohio River, Ohio-Other, Maryland-Other, Virginia, West Virginia, Texas, New Hampshire, Rhode Island, Connecticut, Southern California (aggregate tons received in areas listed—45,087).

³ Comprises shipments to: Illinois-Other, Minnesota, Iowa, North Dakota, Nebraska, Montana, Utah, Kansas (aggregate tons received in areas listed—6,790).

⁴ Comprises shipments to: Cleveland, Youngstown, North Ohio River, Canton-Mansfield (aggregate tons received in areas listed—25,020).

⁵ Comprises shipments to: Detroit, Michigan-Other (aggregate tons received in areas listed—45,482).

⁶ Comprises shipments to: Canton-Massillon-Mansfield, Ohio-Other (aggregate tons received in areas listed—11,580).

⁷ Comprises shipments to: Maine, Massachusetts, Eastern and Central New York (aggregate tons received in areas listed—5,906).

⁸ Comprises shipments to: Pittsburgh, South Ohio River, Ohio-Other, Kentucky (aggregate tons received in areas listed—14,508).

⁹ Comprises shipments to: Maine, Massachusetts, Connecticut, Metropolitan New York, Eastern Pennsylvania, Cleveland, Baltimore, Virginia, North Carolina, Texas, Washington (aggregate tons received—38,902).

¹⁰ Comprises shipments to: Indiana-Other (aggregate tons received in areas listed—9,139).

¹¹ Comprises shipments to: Philadelphia, Delaware, Texas (aggregate tons received in areas listed—19,037).

¹² Comprises shipments to: St. Louis, Missouri-Other, Kansas, Arkansas (aggregate tons received in areas listed—3,617).

¹³ Comprises shipments to: Arkansas, Louisiana, Texas, New Mexico (aggregate tons received in areas listed—8,845).

¹⁴ All plant locations indicated conform to Form B consuming areas except Middletown, Ashland, Newport which includes these points only.

¹⁵ Comprises shipments to: Southern California (aggregate tons received in areas listed—315).

¹⁶ A delivered price at Detroit which is not a basing point.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 15.—Hot Rolled Sheets: Market Areas of Grouped Plants in Producing Areas as Measured by the Mill Net on Shipments Priced on the Nearest Basing Point, February 1939

Producing Area ¹	Nearest Basing Point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which mill net is:			
		Net tons	Mill net per ton	Net tons	Mill net per ton	Less than standard ¹			
						Net tons	Percentage of total shipments	Mill net per ton	
Chicago	Chicago-Gary	41,401	\$37.81	27,580	\$38.12	28,602	69.1	\$36.82	\$12,799
Pittsburgh	Pittsburgh	36,748	37.16	10,496	36.95	22,856	62.2	35.59	13,892
Detroit	Cleveland or Detroit ¹⁰	26,792	39.71	20,613	40.91	9,101	30.6	36.51	20,691
Cleveland	Cleveland	20,811	38.20	6,474	39.29	20,514	98.6	38.13	4,297
Youngstown	Youngstown	17,891	37.06	3,412	39.68	10,378	69.7	35.73	4,513
Baltimore	Spawtows Point	13,878	37.25	11,293	37.02	5,247	37.8	35.87	10,831
Middletown, Ashland, Newport	Middletown	12,865	36.27	4,303	39.03	11,170	86.8	35.63	1,695
Buffalo	Buffalo	8,241	38.49	2,025	39.60	6,747	81.8	34.45	1,499
Birmingham	Birmingham	7,752	38.18	6,514	38.15	1,839	67.2	37.53	14,215
St. Louis	Granite City	2,677	42.39	1,852	44.08	457	35.8	40.92	11,838
Philadelphia	Spawtows Point	2,277	42.39	1,065	42.14	467	35.8	40.92	11,820
Canton, Massillon, Mansfield	Cleveland	1,009	37.41	803	37.03	846	83.8	36.21	7,163
Indiana, other	Chicago-Gary	593	39.08	509	39.39	216	38.4	36.51	11,347
Total		190,910	37.82	95,939	38.78	122,510	64.2	36.51	68,400

¹ Standard mill net for each producing area is the mill net on shipments on the nearest basing point.² Comprises shipments to: Maine, Massachusetts, Connecticut, Metropolitan New York, Buffalo, Eastern Pennsylvania, Pittsburgh, North Ohio River, Canton-Massillon-Mansfield, South Ohio River, Indiana, Illinois-other, Iowa, North Dakota, Baltimore, Maryland-other, Virginia, West Virginia, North Carolina, Tennessee, Oklahoma, Texas, Philadelphia, Youngstown, Ohio-other, Michigan-other, Southern California (aggregate tons received in areas \$8,472).³ Comprise shipments to: Vermont, Canton-Massillon-Mansfield, South Ohio River, Indiana, Illinois-other, Detroit, Wisconsin, Minnesota, Iowa, Kansas City, North Dakota, Nebraska, Kansas, Florida, Kentucky, Oklahoma, Texas, Montana, Colorado, Arizona, Utah, Washington, Northern California (aggregate tons received in areas 74,933).⁴ Comprises shipments to: Eastern Pennsylvania, Canton-Massillon-Mansfield, West Virginia, Kentucky (aggregate tons received 6,945).⁵ Comprises shipments to: Vermont, Connecticut, Eastern and Central New York, Youngstown, North Ohio River, Canton-Massillon-Mansfield, Ohio-other, West Virginia, Kentucky, Idaho, Southern California (aggregate tons received 25,528).⁶ Comprises shipments to: Pittsburgh, Ohio-other, Indiana, Detroit (aggregate tons received 69,067).⁷ Comprises shipments to: Metropolitan New York, Canton-Massillon-Mansfield, Ohio-other, Wisconsin, Virginia, North Carolina (aggregate tons received 20,024).⁸ Comprises shipments to: Vermont, Massachusetts, Buffalo, Eastern Pennsylvania, Canton-Massillon-Mansfield (aggregate tons received 11,825).⁹ Comprises shipments to: Massachusetts, Eastern and Central New York, Pittsburgh, South Ohio River, Indiana, Iowa, Kansas City, South Dakota, Kansas, Virginia, West Virginia, Kentucky, Arkansas, Texas, Canton-Massillon-Mansfield, Tennessee (aggregate tons received 34,668).¹⁰ Comprises shipments to: Maine, Metropolitan New York, Eastern Pennsylvania, Pittsburgh, Indiana, Baltimore, Maryland-other, Virginia, West Virginia, North Carolina, Texas, Washington (aggregate tons received 34,491).¹¹ Comprises shipments to: Indiana-other, Iowa, St. Louis (aggregate tons received 13,955).¹² Comprises shipments to: Massachusetts, Connecticut, Metropolitan New York, Philadelphia, Virginia, Texas, Oregon, Northern California, Southern California (aggregate tons received in areas—30,097).¹³ Comprises shipments to: St. Louis, Missouri-other, Kentucky, Arkansas (aggregate tons received 3,731).¹⁴ Comprises shipments to: Missouri-other, Virginia, South Carolina, Georgia, Florida, Kentucky, Birmingham, Alabama-other, Arkansas, Louisiana, New Mexico, Southern California, Northern California (aggregate tons received 4,159).¹⁵ All plant locations indicated correspond to Form "B" Consuming areas except Middletown-Ashland-Newport in which case the points listed comprise the area.¹⁶ Quoted delivered price at Detroit.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 16.—Hot Rolled Sheets: Market Areas for Producing Areas as Determined by Actual Freight Paid or Allowed from Plant to Consuming Area, February 1939

	Producing Areas ¹										
	Pittsburgh, Youngs- town, North Ohio River	Chicago	Detroit	Cleveland, Canton, Massillon, Mansfield	Phila- delphia, Baltimore	Middle- town, Ashland, Newport	Buffalo	Birming- ham	St. Louis	Indiana, other	Total
1. Net tons shipped.....	51,639	41,401	29,792	21,820	15,155	12,865	8,246	6,752	2,677	563	190,910
Percent of total shipments.....	27.1	21.7	15.6	11.4	7.9	6.8	4.3	3.5	1.4	0.3	100.0
2. Total net tons received from all sources in the con- suming areas governed by each producing area ² (net tons).....	7,155	32,736	55,452	23,295	27,809	9,883	6,982	10,557	7,866	1,145	190,910
Percent of all shipments.....	3.7	17.1	28.1	12.2	14.6	5.2	3.7	5.5	4.1	0.6	100.0
3. Shipments by producing areas to governed consum- ing areas (net tons).....	5,965	23,276	20,789	7,186	12,551	4,381	1,606	4,892	1,318	274	82,223
Line 3 divided by line 2.....	83.4	71.1	37.6	30.8	45.1	44.3	23.0	46.2	16.8	3.0	43.1
4. Line 3 divided by line 1.....	11.6	56.2	69.8	32.9	82.8	34.1	19.5	72.3	40.2	48.7	43.1
5. Line 3 divided by line 1.....	13.9	79.1	186.2	106.8	183.5	76.8	84.7	156.4	293.8	1,624.3	100.0

¹ Producing areas listed correspond to Form B consuming districts except Middletown-Ashland-Newport which area includes only the points listed.² Governed areas are those consuming areas into which the producing area has an actual freight advantage over all other producing areas as measured by average freight actually paid or allowed. See Table 16A.

Source: Compiled from Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 16A.—Hot Rolled Sheets: *Consuming Areas Governed by each Producing Area as Determined by the Average Actual Freight Paid or Allowed from Plant to Consuming Area, February 1939*

PRODUCING AREA ¹							
Pittsburgh, Youngstown, North Ohio River	Chicago	Detroit	Cleveland, Canton-Massillon-Mansfield	Philadelphia, Baltimore	Middletown, Ashland, Newport	Buffalo	Birmingham
Pittsburgh North Ohio River South Ohio River Rhode Island Southern California West Virginia District of Columbia Idaho New Hampshire	Chicago Illinois, other Minnesota Wisconsin Colorado Montana Utah North Dakota	Detroit Michigan, other	Cleveland Youngstown Canton, Massillon, Mansfield	Philadelphia Metropolitan New York Eastern Pennsylvania Massachusetts Connecticut Virginia Baltimore North Carolina Washington Maine Northern Calif. Oregon Delaware	Ohio, other Kentucky Arizona	Eastern and Central N. Y. Buffalo Maryland, other Vermont	Texas Birmingham Louisiana Georgia Mississippi Missouri Alabama, other Florida New Mexico South Carolina
							St. Louis Tennessee Iowa Kansas City Oklahoma Kansas Nebraska Arkansas
							Indiana, other South Dakota

¹ Only one producing area shipped to the consuming area listed.

² Advantage in freight paid over next most advantageous producing area is less than \$0.50 per ton.

³ Producing areas conform to Form B consuming areas except Middletown-Ashland-Newport which includes only these listed points.

⁴ On the basis of only one ton shipped from this producing area.

⁵ Due to a high freight allowed reported by the St. Louis producing area in which an element of absorption was included.

⁶ Only one other producing area (which was located farther from this consuming area) reported shipments to South Dakota.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

Kentucky.....	Birmingham.....	Pittsburgh.....	5	1.5	48.65	50.40	1.08	3.00	42.89	42.20	41.81	39.20
	Middletown.....				58.37		0.01		41.33		41.32	
	Chicago-Gary.....				58.00		2.00		44.00		42.00	
All areas ¹			9,919	5.2								

¹ Less than 0.05%.

² The "governing" basing point for any destination is determined by the freight rates after giving effect to inter-basing point price differentials if any.

³ Not listed as a basing point by the Iron Age.

⁴ Not a basing point. Listed as a delivered price.

⁵ Data are not available to check governing basing points in Pacific Coast States. Total shipments to Arizona, Nevada, Idaho, Washington, Oregon and California were 942 net tons. Of this amount, 85 net tons or 9.0 percent were sold on other than "Pacific Ports" basing points.

⁶ Delivered value less extras and less freight paid or allowed, divided by the number of tons sold.

⁷ Mill net used here is mill net less extras.

Source: Compiled from Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 18.—Hot Rolled Sheets: Shipments Sold at a Calculated Base Price¹ which Exceeds the Published Base Price,² February 1939

Consuming area	Basing Points																Total				
	Pittsburgh		Chicago-Gary		Birmingham		Buffalo		Sparrows Point		Cleveland		Youngstown		Middle-town			Granite City		Pacific Ports	
	Net tons	Excess per tons	Net tons	Excess per tons	Net tons	Excess per tons	Net tons	Excess per tons	Net tons	Excess per tons	Net tons	Excess per tons	Net tons	Excess per tons	Net tons	Excess per tons		Net tons	Excess per tons	Net tons	Excess per tons
New Hampshire.....																					
Vermont.....																					
Metropolitan New York.....	29	\$0.41					27	\$1.22	1	\$12.00											
Eastern and Central New York.....									4	*4.50											
Pennsylvania.....	8	*.25					24	*.87													
Pittsburgh.....							20	*.65													
Cleveland.....																					
North Ohio River.....																					
Canton, Massillon, Mansfield.....	185	1.50																			
Illinois, other.....																					
Michigan, other.....																					
St. Louis.....							25	\$1.44													
Kansas City.....																					
Missouri, other.....																					
Kansas.....							33	*.06													
Baltimore.....																					
South Carolina.....																					
Kentucky.....							1	*1.00													
Arkansas.....																					
Idaho.....							3	*2.33													
New Mexico.....							2	*2.00													
Arizona.....							20	*.15													
Utah.....							10	*.10													
Oregon.....																					
Total.....	185	1.50	25	1.44			27	1.22	308	.65	387	.25							147	*\$0.07	
Percent of Total Shipments.....	1.2		0.1				0.4		1.3		1.8								932	\$0.70 (3)	

* Excess may be accounted for by rounding of fractional tons to nearest whole number and has not been included in the total. Variation of \$0.05 or less in addition to such excess from rounding is also excluded from total.

¹ "Calculated Base Price" is the invoiced delivered value less freight added and less extras charged, divided by the number of tons sold.

² Published Base Prices are those listed by February 1939 issues of the Iron Age. Sales on other than published basing points are not listed (11 tons on Claymont and 10 tons on Gulf Ports).

³ Less than .05%.

Source: Compiled from Temporary National Economic Committee Form B questionnaire, February 1939.

PART 4

TABLE 1.—*Hot Rolled Strip: Basing Points and Basing Point Prices*

[Prices per net ton]

Basing point	May 1938		February 1939	
	Base price	Differential over Pitts- burgh	Base price	Differential over Pitts- burgh
Pittsburgh.....	\$48.00	-----	\$43.00	-----
Chicago-Gary ¹	50.00	2.00	43.00	0.00
Birmingham.....	51.00	3.00	43.00	0.00
Cleveland.....	(²)	-----	43.00	0.00
Middletown.....	(²)	-----	43.00	0.00
Youngstown.....	(²)	-----	43.00	0.00
Granite City.....	52.00	4.00	(³)	-----
Detroit ³	52.00	4.00	45.00	2.00

¹ Gary was not listed as a basing point by the Iron Age during May 1938.² Not listed as a basing point by the Iron Age during the period covered.³ A delivered price (not a basing point).

Source: All May 1938 issues prior to the extra revisions and base price change and all February 1939 issues of the Iron Age.

TABLE 2.—*Hot Rolled Strip: Distribution of Capacity by Distance from the Nearest Basing Point, 1938*

Distance from the nearest basing point (air miles) ¹	Capacity (1,000 gross tons) ²	Percent of total capacity
Total United States.....	4,286.3	100.0
1-25.....	³ 2,807.0	65.5
26-50.....	596.7	13.9
51-100.....	482.4	11.3
Over 100.....	400.2	9.3

¹ Includes all basing points listed in the Iron Age after the change in basing points, June 1938.² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938 and the Iron Age.³ Includes 2,800 gross tons on the Pacific Coast.

TABLE 3.—*Hot Rolled Strip: Distribution of Total and Sampled Capacity*

Producing area ¹	Total U. S. Capacity ²		Capacity Sampled	
	1,000 gross tons	Percent of total	1,000 gross tons	Percent of total capacity sampled
Total United States	4,286.3	100.0	3,674.3	85.7
Integrated ³	(2,979.3)	(69.5)	*(2,492.8)	(83.7)
Semi-integrated	(659.6)	(15.4)	(556.0)	(84.3)
Non-integrated	(647.4)	(15.1)	(625.5)	(96.6)
Youngstown	1,275.4	29.8	1,275.4	100.0
Chicago	1,032.1	24.1	779.4	75.5
Pittsburgh	520.0	12.1	468.5	90.1
Detroit	477.4	11.1	397.0	83.2
North Ohio River	268.0	6.3	268.0	100.0
Cleveland	250.0	5.8	200.0	80.0
Metropolitan New York, Rhode Island, Massachusetts ..	167.0	3.9	155.0	92.8
St. Louis	95.0	2.2	95.0	100.0
Georgia	36.0	0.8	36.0	100.0
Areas outside the sample:				
Canton, Massillon, Mansfield	56.0	1.3	-----	-----
Indiana-other, Illinois-other	50.5	1.2	-----	-----
Eastern Pennsylvania, Philadelphia	32.7	0.8	-----	-----
Birmingham	7.2	0.2	-----	-----
Colorado	5.0	0.1	-----	-----
Minnesota	5.0	0.1	-----	-----
Buffalo	4.7	0.1	-----	-----
California (northern & southern)	2.8	0.1	-----	-----
Tennessee	1.5	(⁴)	-----	-----

¹ Producing areas conform to Form B consuming areas.² Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938.³ Degree of company integration (not plant).⁴ Of the capacity sampled, 67.9 percent represented integrated companies, 15.1 percent, semi-integrated companies, and 17.0 percent, non-integrated companies.⁵ Less than .05 percent.TABLE 4.—*Hot Rolled Strip: Distribution of Sampled Capacity by Producing Areas and Shipments by Producing Areas*

Producing Area ¹	Sampled Capacity ²		February 1939 shipments ³	
	1,000 gross tons	Percent of sampled capacity	Net tons	Percent of total shipments
Total United States	3,674.3	100.00	67,896	100.0
Youngstown	1,275.4	34.7	25,271	37.2
Chicago	779.4	21.2	11,903	17.5
Pittsburgh	468.5	12.8	4,516	6.7
Detroit	397.0	10.8	9,215	13.6
North Ohio River	268.0	7.3	8,792	12.9
Cleveland	200.0	5.4	3,777	5.6
Metropolitan New York, Rhode Island	155.0	4.2	2,566	3.8
St. Louis	95.0	2.6	1,328	1.9
Georgia	36.0	1.0	528	.8

¹ Producing areas conform to Form B consuming areas.² Source: The Iron and Steel Works Directory of the United States and Canada, 1938.³ Source: Temporary National Economic Committee Form B questionnaire, February 1939.

TABLE 5.—*Hot Rolled Strip: Distribution of Total Capacity and Form A Sampled Capacity by Producing Area (District Sample), 1938*

Producing area ¹	Total United States Capacity, 1,000 Gross tons ¹	Capacity Sampled	
		1,000 gross tons	Percent sampled by producing area
Total United States.....	4, 286. 3	1, 193. 5	27. 8
Youngstown.....	1, 275. 4	569. 0	44. 6
Chicago.....	1, 032. 1	351. 4	34. 0
Pittsburgh.....	520. 0	118. 0	22. 7
Detroit.....	477. 4	75. 0	15. 7
North Ohio River.....	268. 0		
Cleveland.....	250. 0	50. 0	20. 6
Metropolitan New York, Rhode Island, Massachusetts.....	167. 0	12. 0	7. 2
St. Louis.....	95. 0		
Indiana—other, Illinois—other.....	50. 5		
Canton, Massillon, Mansfield.....	56. 0		
Georgia.....	36. 0		
Eastern Pennsylvania, Philadelphia.....	32. 7		
Birmingham.....	7. 2	7. 2	100. 0
Colorado.....	5. 0	5. 0	100. 0
Minnesota.....	5. 0	5. 0	100. 0
Buffalo.....	4. 7		
California (northern and southern).....	2. 8	0. 9	32. 1
Tennessee.....	1. 5		

¹ Producing areas conform to Form B consuming areas.¹ Compiled from the Iron and Steel Works Directory of the United States and Canada, 1938.TABLE 5A.—*Hot Rolled Strip: Distribution of Total Capacity and Form Sampled Capacity by States (State Sample), 1938*

State	Total United States Capacity, 1,000 gross tons ¹	Capacity sampled	
		1,000 gross tons	Percent sampled by state
Total United States.....	4, 286. 3	2, 789. 9	65. 1
Ohio.....	1, 256. 0	1, 050. 0	83. 6
Pennsylvania.....	863. 1	713. 4	82. 7
Illinois.....	634. 7		
Indiana.....	535. 2	351. 4	65. 7
Michigan.....	477. 4	377. 0	79. 0
West Virginia.....	268. 0	268. 0	100. 0
Connecticut.....	120. 0		
Georgia.....	36. 0		
Rhode Island.....	35. 0		
New Jersey.....	15. 0		
Massachusetts.....	12. 0	12. 0	100. 0
Wisconsin.....	7. 7		
Alabama.....	7. 2	7. 2	100. 0
Colorado.....	5. 0	5. 0	100. 0
Minnesota.....	5. 0	5. 0	100. 0
New York.....	4. 7		
California.....	2. 8	0. 9	32. 1
Tennessee.....	1. 5		

¹ Source: The Iron and Steel Works Directory of the United States and Canada, 1938.² 322,000 gross tons of this capacity not included in calculations for tables 6 and 7.³ Not included in calculations for tables 6 and 7.

TABLE 6.—*Hot Rolled Strip: Relative Stability of Tonnage Distribution By Consuming Region, 1936, 1937, 1938, and February 1939.*

Regions	Form A: Distribution by states			Form A: Distribution by consuming districts			Form B: Distribution February 1939
	1936	1937	1938	1936	1937	1938	
All regions (net tons).....	890,032	1,190,957	439,204	818,816	860,223	309,223	67,896
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
North Eastern ¹	20.7	20.5	26.1	15.0	16.8	24.5	20.6
North Central ²	72.2	74.0	64.8	78.0	76.3	63.4	75.7
West Central ³	1.4	1.3	1.8	1.1	1.2	1.8	1.4
South Eastern ⁴	1.0	1.3	2.3	0.8	1.3	2.7	0.7
Southern and South Western ⁵	2.8	1.1	2.6	3.0	2.2	4.0	1.2
Mountain and Western ⁶	1.9	1.8	2.4	2.1	2.2	3.5	0.4

¹ Includes the following states and consuming districts: Me., N. H., Vt., Mass., R. I., Conn., N. Y., N. J., Penna., Met. N. Y., Eastern and Central N. Y., Buff., Phila., Ea. Pa., *Pgh.*

² Includes the following states and consuming districts: Ohio, Ind., Ill., Mich., Wis., Minn., Cleve., Yst., N. Ohio R., Cant.-Mans., S. Ohio R., Ohio-other, Chi., Ill.-other, *Detroit*, Mich.,-other.

³ Includes the following states and consuming districts: Iowa, Mo., N. Dak., S. Dak., Neb., Kans., *St. Louis*, Kansas City, Mo.-other.

⁴ Includes the following states and consuming districts: Md., D. C., Va., W. Va., N. Carolina, S. Carolina, Georgia, Fla., Balt., Md.-other.

⁵ Includes the following states and consuming districts: *Kentucky*, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma, Texas, Birmingham, Alabama-other.

⁶ Includes the following states and consuming districts: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Washington, Oregon, *California*, *Southern California*, Northern California.

NOTE: Each region is defined by the areas listed, eliminating duplications. The most important states and consuming districts have been italicized.

TABLE 7.—*Hot Rolled Strip: Range of Variation of Tonnage Distribution in Consuming States and Consuming Districts, 1936, 1937, 1938 & February 1939*

[Range of distribution of percentages by areas]

Range	Forms A: 1936-1938 inclusive		Forms A & B distribution 1936-1938 inclusive and February 1939
	By 49 states: Number of states ¹	By 64 districts: Number of districts	By 64 districts: Number of districts
Over 5.0.....	1	3	3
2.1-5.0.....	3	2	5
1.1-2.0.....	2	2	9
0.6-1.0.....	6	9	7
0.5-or under.....	37	48	40
Total.....	49	64	64

¹ Includes the District of Columbia.

Source: Compiled from Temporary National Economic Committee Forms A and B.

TABLE 8.—*Hot Rolled Strip: Selected Consuming Areas for Detailed Analysis, February 1939*

Producing area ¹	Basing point ²	All consuming areas (net tons)	Selected consuming areas ³ (Net tons)	Percent of all consuming areas
All producing areas	All basing points	67,896	60,364	88.9
Chicago	All basing points	11,903	11,480	96.4
	Pittsburgh	3,480	3,395	97.6
	Chicago-Gary	6,751	6,514	96.5
	Cleveland	54	49	90.7
	Middletown	1,422	1,419	99.8
	Detroit ⁴	104	103	100.0
St. Louis	All basing points	1,328	697	52.5
	Chicago-Gary	1,084	517	47.7
	Middletown	54	54	100.0
	Detroit ⁴	126	126	100.0
Detroit	All basing points	9,215	9,166	99.5
	Pittsburgh	214	204	95.3
	Chicago-Gary	662	625	94.4
	Cleveland	95	93	97.9
	Youngstown	51	51	100.0
	Middletown	105	105	100.0
	Detroit ⁴	8,088	8,088	100.0
Cleveland	All basing points	3,777	3,615	95.7
	Pittsburgh	54	3	0.6
	Chicago-Gary	39	8	20.5
	Cleveland	2,936	2,888	98.4
	Youngstown	10	5	50.0
	Middletown	213	213	100.0
	Detroit ⁴	525	498	94.9
Youngstown	All basing points	25,271	22,346	88.4
	Pittsburgh	5,161	3,654	70.8
	Chicago-Gary	4,121	3,305	80.2
	Cleveland	5,836	5,821	99.7
	Youngstown	6,641	6,465	97.3
	Middletown	1,310	1,220	93.1
	Detroit ⁴	1,881	1,881	100.0
Pittsburgh	All basing points	4,516	3,598	79.7
	Pittsburgh	1,994	1,604	80.4
	Chicago-Gary	602	485	80.6
	Cleveland	1,031	789	76.5
	Youngstown	648	479	73.9
	Middletown	241	241	100.0
Georgia	All basing points	528	57	10.8
	Chicago-Gary	4	2	50.0
	Middletown	152	55	36.2
Metropolitan New York, Rhode Island	All basing points	2,566	1,780	69.4
	Pittsburgh	2,393	1,709	71.4
	Buffalo ⁵	10	10	100.0
	Cleveland	39	38	97.4
	Youngstown	96	23	24.0

¹ Producing areas conform to Form B consuming areas.² Lists only basing points governing selected consuming areas.³ Consuming areas receiving 2 percent or more of total shipments. Areas selected were: Massachusetts, Metropolitan New York, Buffalo, Pittsburgh, Cleveland, Youngstown, Canton-Mansfield, Ohio-other, Indiana-other, Chicago, Illinois-other, Detroit.⁴ A delivered price (not a basing point).⁵ Not listed as a basing point by the Iron Age.

TABLE 8.—*Hot Rolled Strip: Selected Consuming Areas for Detailed Analysis, February 1939—Continued*

Producing area	Basing point	All consuming areas (net tons)	Selected consuming areas (Net tons)	Percent of all consuming areas
North Ohio River.....	All basing points.....	8,792	7,625	86.7
	Pittsburgh.....	1,918	1,065	55.5
	Chicago-Gary.....	553	447	80.8
	Cleveland.....	1,262	1,261	99.9
	Youngstown.....	843	817	96.9
	Middletown.....	414	414	100.0
	Detroit ⁴	3,799	3,621	95.3
All producing areas.....	Pittsburgh.....	15,298	11,634	76.0
	Detroit ⁴	14,523	14,317	98.0
	Chicago-Gary.....	13,844	11,903	86.0
	Cleveland.....	11,253	10,939	97.2
	Youngstown.....	8,289	7,840	94.6
	Middletown.....	3,911	3,721	95.1
	Buffalo ⁵	10	10	100.0
	Granite City.....	3	0	0.0
	Birmingham.....	703	0	0.0
	Pacific Ports.....	62	0	0.0

⁴ A delivered price (not a basing point).⁵ Not listed as a basing point by the Iron Age.

Source: Temporary National Economic Committee Form B questionnaire February 1939.

TABLE 9.—*Hot Rolled Strip: Freight Absorption on Shipments to Selected Consuming Areas, February 1939*

Selected consuming area ¹	Shipments from governing producing areas ²			Shipments from Other Producing Areas			
	Total net tons shipped to consuming area listed	Average freight absorption on all shipments to area	Producing area	Net tons shipped	Percent of total shipment	Average freight absorption per net ton	Average freight absorption per net ton
Detroit.....	26,885	2.01	Detroit.....	8,088	30.1	.46	2.69
Detroit (adjusted) ³	(26,885)	.95	(Detroit).....	(8,088)	(30.1)	(-.154)	(2.03)
Chicago.....	7,860	2.03	Chicago.....	5,229	66.5	.28	5.52
Youngstown.....	4,192	-.02	Youngstown.....	3,625	86.5	-.32	1.87
Pittsburgh.....	3,398	1.41	Pittsburgh.....	775	22.8	.60	1.64
Ohio—other.....	3,309	2.84	Cleveland.....	265	8.0	-.27	3.11
Ohio—other (adjusted) ³	(3,309)	(2.82)	(Cleveland).....	(265)	(8.0)	(-.48)	(3.11)
Metropolitan New York.....	2,932	-2.65	Metropolitan N. Y., Rhode Island.....	1,316	44.9	-6.59	55.1
Buffalo.....	2,501	.29	Youngstown.....	1,826	73.0	-.01	.53
Cleveland.....	2,340	2.04	Cleveland.....	202	8.6	.00	1.06
Indiana—other.....	2,161	1.60	Chicago.....	715	33.1	-.17	2.24
Massachusetts.....	1,808	-.99	Metropolitan N. Y., Rhode Island.....	441	24.4	-4.76	2.49
Canton, Massillon, Mansfield.....	1,509	1.26	Youngstown.....	1,304	86.4	.10	1.28
Illinois—other.....	1,409	1.11	Chicago.....	793	54.0	-.09	2.53
Total of above areas.....	60,364	1.42		24,579	40.7	-.26	2.57
Total (adjusted) ³	(60,364)	(.95)		(24,579)	(40.7)	(-.92)	(2.22)

¹ Consuming areas receiving 2 per cent or more of the total shipments February 1939.² The governing producing area is that having the lowest freight absorption on shipments to the consuming area listed.³ Figures in brackets adjusted for a price differential of \$2.00 per ton on Detroit delivered sales.

TABLE 10.—Hot Rolled Strip: Comparison of Computed Base Prices with Published Base Price in Selected Consuming Areas, February 1939

Selected consuming areas ¹	Reported basing points	Published base price ²	Computed Base Prices on Shipments from Producing Areas ³								
			Youngstown	Chicago	Detroit	North Ohio River	Pittsburgh	Cleveland	Metropolitan New York, Rhode Island	St. Louis	Georgia
Massachusetts.	Pittsburgh.	43.00	34.16	44.63		42.65	42.76		37.99		
	Cleveland.	43.00				44.67	45.80		39.68		
	Youngstown.	43.00	39.42			41.25	43.33	43.61	43.50		
	Pittsburgh.	43.00	38.36	45.63	43.18	41.40	40.76		38.03		
	Buffalo.	43.00	*40.00					*36.00			
	Cleveland.	43.00						44.19			
	Youngstown.	43.00	35.06			34.61	42.38				
	Pittsburgh.	43.00	40.34	40.50		39.80	39.55		39.63		
	Youngstown.	43.00	35.00								
	Cleveland.	43.00	41.41	50.33		42.53	42.86	42.88			
Metropolitan New York.	Pittsburgh.	43.00	*46.00	70.00	68.85						
	Cleveland.	43.00							*50.50		
	Youngstown.	43.00			42.63	37.07	36.20				
	Cleveland.	43.00	35.21		47.15	44.09	36.44				
	Youngstown.	43.00	40.24		*51.33	40.16					
	Middletown.	43.00	*50.50								
	Pittsburgh.	43.00			44.00						
	Chicago.	43.00	43.00								
	Cleveland.	43.00	43.05	46.85	41.01	37.29	43.01	41.62			
	Youngstown.	43.00					*27.00	46.80			
Canton, Massillon, Mansfield.	Middletown.	43.00	40.51	43.54	43.02	42.63	41.36	38.64		38.48	34.07
	Detroit.	45.00									
	Pittsburgh.	43.00									
	Chicago.	43.00	39.22	43.27		43.52	44.25	44.75	45.59	*32.50	
	Cleveland.	43.00				42.90					
	Middletown.	43.00	42.08	42.13		42.80	41.38	42.47			
	Pittsburgh.	43.00	*33.50			41.91					
	Chicago.	43.00	39.57	35.61	43.02	42.84	41.83		42.29		
	Chicago.	43.00	39.08	43.47	43.89	41.81	43.07		40.40		
	Pittsburgh.	43.00		41.79			38.46				
Illinois, other.	Chicago.	43.00	32.54								
	Cleveland.	43.00	40.36	*24.00			41.90	41.55			
	Detroit.	43.00	38.94	43.85	42.40	43.56		41.77	39.51		
	Detroit.	45.00									

¹ Consuming areas receiving 2% or more of the total shipments.² As reported by all February 1939 issues of the Iron Age.³ Producing areas conform to Form B consuming areas February 1939.⁴ A delivered price (not a basing point).
* Represents shipments of less than 5 net tons.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 11.—*Hot Rolled Strip—Comparison of Published and Calculated Base Prices for Given Basing Points, February 1939*

Basing point	Published base price ¹ (per net ton)	Calculated base price ¹ (per net ton)
Pittsburgh.....	\$43.00	\$39.50
Chicago-Gary.....	43.00	37.64
Birmingham.....	43.00	37.47
Cleveland.....	43.00	40.97
Middletown.....	43.00	41.85
Youngstown.....	43.00	38.02
Detroit ²	45.00	42.18

¹ Source: All February 1939 issues of the Iron Age.² Compiled from the Temporary National Economic Committee Form B questionnaire, February 1939.³ A delivered price (not a basing point).

TABLE 12.—Hot Rolled Strip: Total Sales by Grouped Mills in Each Producing Area On Nearest Basing Point and on All Other Basing Points February 1939

Producing area ¹	Nearest basing point	Net tons sold					Mill net less extras (per net ton)			Average freight absorption (per net ton)		
		On all basing points	On nearest basing point	On other than nearest basing point	Percent sold on other than nearest basing point	Percent sold on nearest basing point	On sales on all basing points	On sales on nearest basing point	On sales on other than nearest basing point	On sales on all basing points	On sales on nearest basing point	On sales on other than nearest basing point
All producing areas.....	-----	67,896	32,217	35,679	52.5	47.5	38.55	39.90	37.33	1.34 (0.90)	— .37 (— .87)	2.88 (2.50)
Youngstown.....	Youngstown.....	25,271	6,641	18,630	73.7	26.3	36.90	38.22	36.43	1.55 (1.38)	— .15 -----	2.16 (1.92)
Chicago.....	Chicago-Gary.....	11,903	6,751	5,152	43.3	55.7	37.89	36.45	39.79	1.33 (1.31)	.21 -----	2.79 (2.75)
Pittsburgh, No. Ohio River.....	Pittsburgh.....	13,308	3,912	9,396	70.6	29.4	38.05	39.17	37.58	3.33 (2.76)	.92 -----	4.34 (3.53)
Detroit.....	Cleveland-Detroit.....	9,215	8,183	1,032	11.2	88.8	41.89	41.99	40.29	.69 (— 1.07)	.40 (— 1.63)	2.99 (2.99)
Cleveland.....	Cleveland.....	3,777	2,936	841	22.3	77.7	41.90	42.91	38.38	— .34 (— .62)	— 1.24 -----	2.79 (1.54)
Metropolitan New York, R. I.....	Pittsburgh.....	2,566	2,393	173	6.7	93.3	43.84	44.34	36.92	— 5.80 (— 5.86)	— 6.13 -----	— 1.14 (— 1.14)
St. Louis.....	Chicago-Gary.....	1,328	1,084	244	18.4	81.6	40.11	41.35	34.64	.46 (— .27)	— .03 -----	5.27 (4.24)
Georgia.....	Birmingham.....	528	317	211	40.0	60.0	34.70	37.71	30.18	1.15 (1.15)	— .74 -----	4.00 (4.00)

¹ Producing areas conform to Form B consuming areas.² Figures shown in parentheses have been adjusted for price differentials of \$2.00 per ton on Detroit delivered sales. (One producing area also reported Pacific Port basing point sales. An adjustment of \$10.00 per ton was made in this case.)

Source: Compiled from Temporary National Economic Committee Form B questionnaire February 1939.

TABLE 13.—*Hot Rolled Strip; Shipments Received Compared to Shipments Made in Producing Areas, February 1939*

Producing Areas ¹	Total shipments made by plants in producing areas	Shipments received in producing areas			
		Total received in producing area	Received from plants in identical area	Percent received from plants in identical area	Total receipts as percent of total shipments
All Areas.....	67,896	52,824	22,082	41.8	77.8
Youngstown.....	25,271	4,192	3,625	86.5	16.6
Chicago.....	11,903	7,860	5,229	66.5	66.0
Pittsburgh, North Ohio River.....	13,308	3,881	2,065	53.2	29.2
Detroit.....	9,215	26,885	8,088	30.1	291.8
Cleveland.....	3,777	2,340	202	8.6	62.0
New England, New York ²	2,566	6,966	2,457	35.3	271.5
St. Louis.....	1,328	657	409	62.3	49.5
Georgia.....	528	43	7	16.3	8.1

¹ Producing areas conform to Form B consuming areas except New England, New York (see note 2).

² Includes Maine, Massachusetts, Rhode Island, Connecticut, Metropolitan New York, and Eastern and Central New York.

Source: Compiled from the Temporary National Economic Committee questionnaire form B, February 1939.

TABLE 14.—*Hot Rolled Strip; Analysis of the Market Areas of Grouped Plants as Measured by the Freight Absorption on Shipments Priced on the Nearest Basing Point, February 1939*

Producing area ¹	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which freight absorption is:				
		Net tons	Freight absorption per ton	Net tons	Freight absorption per ton	Equal to or less than standard ¹		Greater than standard ¹		
						Net tons	Freight absorption per ton	Net tons	Percent of total shipments	Freight absorption per ton
Youngstown.....	Youngstown.....	25,271	1.55	6,641	— .15	3,625	— .32	21,646	85.7	1.86
Chicago.....	Chicago-Gary.....	11,903	1.33	6,751	.21	1,704	— .15	10,199	85.7	1.67
Pittsburgh, North Ohio River.....	Pittsburgh.....	13,308	3.33	3,912	.92	2,670	— .32	10,638	79.9	4.09
Detroit.....	Cleveland, Detroit. ¹¹	9,215	.69	8,183	.40	3	— .33	9,212	99.9	.69
Cleveland.....	Cleveland.....	3,777	— .34	2,936	— 1.24	(¹⁰)	—	3,777	100.0	— .34
Metropolitan New York, Rhode Island.....	Pittsburgh.....	2,566	— 6.80	2,393	— 6.13	590	— 7.04	1,976	77.0	— 5.42
St. Louis.....	Chicago-Gary.....	1,328	.46	1,084	— .63	7,517	— 3.06	811	61.1	2.69
Georgia.....	Birmingham.....	528	1.15	317	— .74	145	— 3.10	383	72.5	2.76
Total.....		67,896	1.34	32,217	— .37	9,254	— 0.73	58,642	86.4	1.66

¹ Standard freight absorption for each producing area is the freight absorption of sales made on the nearest basing point.

² Comprises shipments to Youngstown. (aggregate tons received in area 4192)

³ Comprises shipments to Indiana—other, Illinois—other, Michigan—other, Wisconsin, Minnesota, St. Louis, Kansas City, Arizona, Colorado. (aggregate tons received in area 5493)

⁴ Comprises shipments to Massachusetts, Rhode Island, Metropolitan New York, Eastern and Central New York, Buffalo, Philadelphia, Eastern Pennsylvania, Pittsburgh, North Ohio River, Baltimore, Virginia, West Virginia, North Carolina, Southern California. (aggregate tons received in area 13,785)

⁵ Comprises shipments to Michigan—other. (aggregate tons received in area 834)

⁶ Comprises shipments to Rhode Island, Connecticut. (aggregate tons received in area 1635)

⁷ Comprises shipments to St. Louis, Kansas City, Missouri, Nebraska, Arkansas. (aggregate tons received in area 814)

⁸ Comprises shipments to North Carolina, South Carolina, Georgia, Florida. (aggregate tons received in area 197)

⁹ Producing areas indicated conform to Form B consuming areas.

¹⁰ There are no shipments lower than standard in this instance because shipments from given plant locations to given consuming areas have been aggregated irrespective of basing point. The weight of sales on foreign basing points raises the average.

¹¹ A delivered price (not a basing point).

Source: Compiled from the Temporary National Economic Committee Form B questionnaire, February 1939.

TABLE 14A.—Hot Rolled Strip: Analysis of the Market Areas of Grouped Plants as Measured by the Freight Absorption on Shipments Priced on the Nearest Basing Point (Adjusted for Basing Point Price Differentials), February 1939

Producing area *	Nearest basing point	Total shipments		Shipments priced on nearest basing point		Shipments to all areas in which freight absorption is:				
		Net tons	Freight absorption per ton	Net tons	Freight absorption per ton	Equal to or less than standard ¹		Greater than standard ¹		
						Net tons	Freight absorption per ton	Net tons	Per cent of total shipments	Freight absorption per ton
Youngstown.....	Youngstown.....	25,271	1.38	6,641	— .15 ²	3,630	— .33	21,641	85.6	1.66
Chicago.....	Chicago.....	11,903	1.31	6,751	.21 ³	1,704	— .15	10,199	85.7	1.55
Pittsburgh, North Ohio River.....	Pittsburgh.....	13,308	2.76	3,912	.92 ⁴	2,670	.32	10,638	79.9	3.38
Detroit.....	Cleveland-Detroit. ¹⁰	9,215	—1.07	8,813	—1.58	(⁵)	-----	9,215	100.0	—1.07
Cleveland.....	Cleveland.....	3,777	—0.62	2,936	—1.24	(⁵)	-----	3,777	100.0	—0.62
Metropolitan New York-Rhode Island.....	Pittsburgh.....	2,566	—5.80	2,393	—6.13	⁶ 590	—7.04	1,976	77.0	—5.42
St. Louis.....	Chicago.....	1,328	0.27	1,084	— .63	⁷ 517	—3.06	811	61.1	2.38
Georgia.....	Birmingham...	528	1.15	317	— .74	⁸ 145	—3.10	383	72.5	2.76
Total.....	-----	67,896	0.90	32,217	—0.37	9,256	— .73	58,640	86.4	1.16

¹ Standard freight absorption for each producing area is the freight absorption on sales on the nearest basing point.

² Consists of shipments to Youngstown, Washington. (Aggregate tons received in area—4,197.)

³ Consists of shipments to Indiana-other, Illinois-other, Michigan-other, Wisconsin, Minnesota, St. Louis, Kansas City, Arizona, Colorado (aggregate tons received in areas listed—5,493).

⁴ Consists of shipments to Massachusetts, Rhode Island, Metropolitan New York, Eastern and Central New York, Buffalo, Philadelphia, Eastern Pennsylvania, Pittsburgh, North Ohio River, Baltimore, Virginia, West Virginia, North Carolina, Southern California (aggregate tons received in areas listed—13,785).

⁵ There are no shipments lower than standard in this instance because shipments from given plant locations to given consuming areas have been aggregated irrespective of basing point. The weight of sales on foreign basing points raises the average with the effect shown.

⁶ Consists of shipments to Rhode Island, Connecticut (aggregate tons received in areas listed—1,635).

⁷ Consists of shipments to St. Louis, Kansas City, Missouri, Nebraska, Arkansas (aggregate tons received in area—814).

⁸ Consists of shipments to North Carolina, South Carolina, Georgia, Florida (aggregate tons received in area 197).

* All producing areas conform to Form B consuming areas.

¹⁰ A delivered price (not a basing point).

TABLE 15.—Hot Rolled Strip: Analysis of the Market Areas of Grouped Plants as Measured by the Mill Net on Shipments Priced on the Nearest Basing Point February 1939

Producing area ¹⁰	Nearest basing point	Total ship- ments		Shipments priced on nearest basing point		Shipments to all areas in which mill net is:				
		Net tons	Mill net per ton	Net tons	Mill net per ton	Less than standard ¹			Equal to or greater than standard ¹	
						Net tons	Per- cent of total ship- ments	Mill net per ton	Net tons	Mill net per ton
Youngstown.....	Youngstown.....	25,271	36.90	6,641	38.22	14,831	58.7	35.37	² 10,440	39.07
Chicago.....	Chicago-Gary.....	11,903	37.89	6,751	36.45	5,285	44.4	35.31	³ 6,618	39.95
Pittsburgh, North Ohio River.....	Pittsburgh.....	13,308	38.05	3,912	39.17	9,657	72.6	37.06	⁴ 3,651	40.65
Detroit.....	Cleveland-Detroit. ¹¹	9,215	41.80	8,183	41.99	9,167	99.5	41.76	⁵ 48	48.17
Cleveland.....	Cleveland.....	3,777	41.90	2,936	42.91	3,727	98.7	41.88	⁶ 650	43.76
Metropolitan New York, Rhode Island. St. Louis.....	Pittsburgh.....	2,566	43.84	2,393	44.34	714	27.8	42.13	⁷ 1,852	44.51
Georgia.....	Chicago-Gary.....	1,328	40.11	1,084	41.35	840	63.3	37.30	⁸ 488	44.95
	Birmingham.....	528	34.70	317	37.71	451	85.4	32.87	⁹ 77	45.42
Total.....		67,896	38.55	32,217	39.90	44,672	65.8	37.70	23,224	40.18

¹ Standard mill net for each producing area is the mill net on sales on the nearest basing point.

² Comprises shipments to: Maine, Connecticut, Eastern and Central New York, Eastern Pennsylvania, Pittsburgh, Cleveland, Youngstown, North Ohio River, Canton-Massillon-Mansfield, South Ohio River, Ohio-other, Indiana-other, Iowa, Kansas City, Delaware, Baltimore, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Oklahoma, Washington, Southern California, Northern California. (Aggregate tons received in area 20,126.)

³ Comprises shipments to: Massachusetts, Metropolitan New York, Eastern and Central New York, Philadelphia, Eastern Pennsylvania, Pittsburgh, Cleveland, Youngstown, Ohio-other, Indiana-other, Illinois-other, Detroit, Michigan-other, Wisconsin, Minnesota, St. Louis, Kansas City, Baltimore, Georgia, Kentucky, Tennessee, Colorado, Arizona, Southern California, Northern California. (Aggregate tons received 53,218.)

⁴ Comprises shipments to: Massachusetts, Connecticut, Rhode Island, Metropolitan New York, Eastern and Central New York, Buffalo, Philadelphia, Eastern Pennsylvania, Cleveland, Canton-Massillon-Mansfield, Baltimore, Virginia, West Virginia, Southern California, Indiana-other, St. Louis, Georgia. (Aggregate tons received in area 17,738.)

⁵ Comprises shipments to: Youngstown. (Aggregate tons received in area 4,192.)

⁶ Comprises shipments to: Buffalo, Eastern Pennsylvania, Youngstown. (Aggregate tons received in area 6,920.)

⁷ Comprises shipments to: Connecticut, Metropolitan New York, Eastern Pennsylvania. (Aggregate tons received in area 4,271.)

⁸ Comprises shipments to: Indiana-other, Iowa, St. Louis, Kansas City, Nebraska, Kansas, Arkansas, Louisiana. (Aggregate tons received in area 3,039.)

⁹ Comprises shipments to: South Carolina and Georgia. (Aggregate tons received in area 120.)

¹⁰ All producing areas indicated are in conformity with Form B Consuming areas.

¹¹ Quoted delivered price at Detroit.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B for February 1939.

TABLE 16.—*Hot Rolled Strip: Market Areas for Plant Groups as Determined by Actual Freight Paid or Allowed from Plant to Destination—Producing Areas¹ February 1939*

	Pitts- burgh, Youngs- town, North Ohio River	Chicago	Detroit	Cleve- land	Metro- politan New York, Rhode Island	St. Louis	Georgia	Total
1. Net tons shipped.....	38,579	11,903	9,215	3,777	2,566	1,328	528	67,896
Percent of total shipments.....	56.8	17.5	13.6	5.6	3.8	1.9	.8	100.0
2. Shipments received from all sources in consuming areas governed by each producing area ² (net tons).....	11,584	9,749	27,716	9,319	7,995	902	628	67,896
Percent of total shipments.....	17.1	14.4	40	13.7	11.8	1.3	.9	100.0
3. Shipments by producing areas to governed consuming areas ² (net tons).....	11,296	6,203	8,631	699	2,514	536	325	29,604
4. Line 3 divided by line 2.....	97.5	63.6	29.2	7.5	31.4	59.4	51.8	43.7
5. Line 3 divided by line 1.....	29.3	52.1	87.8	18.5	98.0	40.4	61.6	43.7
6. Line 2 divided by line 1.....	30.0	81.9	300.8	246.7	311.6	67.9	118.9	100.0

¹ Producing areas listed correspond to Form B consuming areas.

² Governed areas are those consuming areas into which the producing area has an actual freight advantage over all other producing areas as measured by average freight actually paid or allowed. See Table 16A.

Source: Computed from Temporary National Economic Committee Form B questionnaire, February 1939.

TABLE 10A.—*Hot Rolled Strip. Consuming Areas Governed by Each Producing Area as Determined by Average Freight Paid or Allowed From Plant to Consuming Area, February 1939*PRODUCING AREAS ⁴

Pittsburgh, Youngstown, North Ohio River	Chicago	Detroit	Cleveland	Metropolitan New York, Rhode Island	St. Louis	Georgia
Youngstown Pittsburgh Buffalo North Ohio River Kentucky Eastern Pennsylvania Southern California Virginia Oregon ¹ South Ohio River ¹ Delaware ¹ West Virginia District of Columbia ¹ Kansas ³ Oklahoma ³ Washington ¹	Chicago Illinois, other Wisconsin Iowa Northern California Kansas City Colorado Arizona ¹	Detroit Michigan, other	Ohio, other Cleveland Indiana, other Canton, Massillon, Mansfield ¹	Metropolitan New York Massachusetts Connecticut Philadelphia Eastern and Central New York Rhode Island Baltimore ² Maine	St. Louis Minnesota Missouri, other Arkansas ¹ Nebraska ¹	Tennessee Georgia Alabama, other ¹ North Carolina Birmingham Texas ¹ Florida ¹ Louisiana ² South Carolina Mississippi ¹

¹ Only one producing area shipped to the consuming area listed.² Advantage in freight paid over next most advantageous area is less than \$0.50 per ton.³ Represents shipment of only 1 ton.⁴ Producing areas listed conform to Form B consuming areas.

NOTE.—Consuming areas are listed in order of total tonnage received.

Source: Compiled from Temporary National Economic Committee Form B questionnaire, February 1939.

TABLE 17.—Hot Rolled Strip: Shipments Reported as Priced on Other Than Governing Basing Point, February 1939

Consuming area	Governing basing point	Other reported basing points	Net tons sold on other reported basing points	Percent of total consuming area receipts	Delivered value per ton		Freight absorption per ton		Computed base price per ton ¹		Computed mill net per ton ²	
					Governing basing points	Other reported basing points	Governing basing points	Other reported basing points	Governing basing points	Other reported basing points	Governing basing points	Other reported basing points
Metropolitan New York Youngstown	Pittsburgh	Buffalo	10	0.3	59.47	49.90	-2.65	-2.70	39.07	34.70	41.72	37.40
	Pittsburgh	Cleveland	1	(*)	86.73	75.00	-0.53	6.00	65.80	70.00	66.33	64.00
	Canton, Massillon, Mansfield				69.00		-0.03		38.65		38.87	
	Youngstown				42.83		0.13		36.94		36.81	
	Youngstown	Middletown	2	0.1	50.62	61.50	0.31	4.50	40.27	50.50	39.84	46.00
Ohio, other	Youngstown	Detroit	(28)		49.00	41.61	3.36	3.86	27.00	38.64	27.00	35.29
	Middletown	Pittsburgh	(11)		48.82	50.64	3.70	2.82	41.99	44.00	38.29	41.15
	Chicago-Gary				62.25		-3.30		43.00		43.50	
	Cleveland				54.80		.42		41.48		41.06	
Indiana, other	Chicago-Gary	Sub-Total	30	1.2	52.76	47.35	1.13	3.87	42.17	43.52	41.04	39.65
	Middletown	Pittsburgh	(23)		56.31	57.52	1.79	2.80	42.03	42.80	41.24	40.24
Chicago	Chicago-Gary	Sub-Total	73	3.4	44.63	42.00	2.03	6.00	37.54	33.50	35.51	27.50
	Chicago-Gary	Pittsburgh	2	(*)	38.51		0.65		32.54		31.89	
Detroit	Chicago-Gary				48.71		2.39		40.27		39.48	
	Cleveland				45.01	45.85	1.73	2.40	42.20	41.50	39.62	29.11
Michigan, other	Pittsburgh		3654	13.6	59.01		2.93		39.32		37.69	
	Chicago-Gary				58.00		2.93		37.81		34.88	
Kansas City	Pittsburgh		13	1.6	77.90	59.92	4.63	1.85	41.08	46.31	36.54	44.46
	Chicago-Gary		1	1.9	72.80	82.00	0.66	0.00	44.08	36.00	43.21	36.00
South Carolina	Pittsburgh		3	37.5	60.00	87.33	-2.60	3.00	39.00	44.67	41.60	41.67
	Birmingham				60.00				39.00		41.60	
Oklahoma	Chicago-Gary	Granite City ³	3	42.9	73.70	45.67	17.00	5.67	43.75	28.33	26.75	22.61
All Areas ³			3801	5.6								

(*) Less than .05%.

¹ The "governing" basing point for any consuming area is determined by the freight rates after giving effect to inter-basing point price differentials if any.² Not listed as a basing point by the Iron Age.³ Pacific Ports are not listed as basing points in the February 1939 Iron Age. Of the total shipments (244) to Idaho, Washington, Oregon, Nevada, Arizona and California, however, 62 net tons or 25.4 percent of all shipments to these states were sold on Pacific Port bases. One of the producing companies listed Pacific Ports as basing points and they have not there (are) been included above as other than governing bases.⁴ Delivered value less extras and less freight paid or allowed divided by the number of tons sold.⁵ Mill net less extras.⁶ A delivered price (not a basing point).

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 18.—*Hot Rolled Strip: Shipments Sold at a Calculated Base Price which Exceeds the Published Base Price,¹ February 1939*

Consuming area	Basing Points										Total	
	Pitts- burgh		Chicago- Gary		Cleve- land		Middle- town		Youngs- town		Birming- ham	
	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton	Net tons	Excess per ton
Maine.....	3	\$*033										
Rhode Island.....					*1	\$*6.00			7	\$*14		
Buffalo.....	15	22.80			32	*1.19						
Youngstown.....					1	27.00						
Canton, Massillon, Mansfield.....							2	\$*7.50				
Ohio, other.....	11	*1.00										
Indiana, other.....	23	*.52										
Kansas City.....			53	\$1.08								
Nebraska.....			1	*17.00								
West Virginia.....	15	*.27										
South Carolina.....	3	*1.67										
Kentucky.....										1	\$*8.00	
Arkansas.....											*.33	
Oklahoma.....			4	*.75								
Colorado.....			6	12.50								
Arizona.....			1	*7.00								
Southern California.....										6	6.00	
Northern California.....										2	3.16	
Total.....	28	13.75	59	2.24	33	1.97					68	3.41
Percent of all ship- ments.....	1.8%		4.3%		2.9%						9.7%	0.3%

* Excess may be accounted for by rounding of fractional tons to nearest whole number and has not been included in the total. Variation of \$0.05 or less in addition to such excess from rounding is also excluded from table.

¹ Calculated Base Price is the invoiced delivered value less freight and less extras charged divided by the number of tons sold.

Published Base Prices are those listed by February 1939 "Iron Age." (all issues).

Note: Pacific Ports are not listed as basing points in the Iron Age. A total of 62 tons of Hot Rolled Strip was sold on Pacific Port basing points, 39 tons of which calculated to a base price \$1.66 per ton higher than \$53.00 (the Pacific Port price published for Hot Rolled Sheets).

Source: Compiled from Temporary National Economic Committee Form B questionnaire, February 1939.

TABLE 4A.—*Heavy structural shape shipments February 1939 (net tons)*

Producing area ¹	Domestic shipments to con- suming districts (basing point sales) ²	F. O. B. mill sales	Shipments to plants or ware- houses of the same or affil- iated com- panies ³	Ship- ments to jobbers ware- houses	Total domestic ship- ments	Exports	Total ship- ments	Percent of total ship- ments
Total.....	79,921	3 702	49,346	5,030	137,999	6,185	144,184	100.0
Eastern Pennsylva- nia, Philadelphia.....	22 957	2,414	17,727	2,115	45,213	1,710	46,923	32.5
Chicago.....	20,355		7,386	812	28,553	141	28,694	19.9
Pittsburgh.....	15,437	831	17,147	188	33,603	3,762	37,365	25.9
Buffalo.....	10,260		6,036	826	17,122	496	17,618	12.2
North Ohio River.....	2,550	362		675	3,587		3,587	2.5
St. Louis.....	1,151			169	1,320		1,320	0.9
Birmingham.....	4,240		1,050	102	5,392	76	5,468	3.9
Colorado.....	2,971	95		143	3 209		3,209	2.2

¹ Producing areas conform to Form B consuming areas.

² These shipments are those from which the Form B analysis has been prepared, others are excluded.

³ Includes shipments to fabricators of the same or affiliated companies.

Source: Compiled from the Temporary National Economic Committee questionnaire Form B, February 1939.

TABLE 4A.—Plate shipments February 1939 (net tons)

Producing area ¹	Domestic shipments to consuming districts (basing point sales) ²	F. O. B. mill sales	Shipments to plants or warehouses of the same or affiliated companies ²	Shipments to jobbers' warehouses	Total domestic shipments	Exports	Total shipments	Percent of total shipments
Total.....	96,443	869	28,570	3,465	129,347	21,062	150,409	100.0
Pittsburgh.....	24,381	493	16,898	1,254	43,026	8,511	51,537	34.2
Eastern Pennsylvania, Philadelphia, Delaware.....	27,885	251	278	532	28,946	5,929	34,875	23.2
Chicago.....	15,083	7	4,058	344	19,497	166	19,663	13.1
Detroit.....	941	-----	-----	27	968	-----	968	0.6
Baltimore.....	10,821	-----	5,545	1,024	17,390	5,978	23,368	15.5
Birmingham.....	12,836	-----	1,409	224	14,469	386	14,855	9.9
Cleveland.....	967	-----	-----	14	981	-----	981	.7
North Ohio River.....	482	-----	-----	1	483	-----	483	.3
Youngstown.....	1,783	118	197	1	2,099	92	2,191	1.5
St. Louis.....	1,259	-----	185	44	1,488	-----	1,488	1.0

¹ Producing areas conform to Form B consuming areas.² These shipments are those from which Form B analysis has been prepared, others have been excluded.³ Includes shipments to fabricators of the same or affiliated companies.

Source: Compiled from the Temporary National Economic Committee questionnaire, Form B, February 1939.

TABLE 4A.—Hot rolled sheet shipments, February 1939 (net tons)

Producing area ¹	Domestic shipments to consuming districts (basing point sales) ²	F. O. B. mill sales	Shipments to plants or warehouses of same or affiliated companies	Shipments to jobbers' warehouses	Total domestic shipments	Exports	Total shipments	Percent of total shipments
Total.....	190,910	1,153	15,227	4,094	211,384	16,383	227,767	100.0
Pittsburgh.....	21,912	89	490	67	22,558	3,899	26,457	11.6
Chicago.....	41,401	-----	2,141	1,060	44,602	820	45,422	19.9
Cleveland.....	20,811	-----	999	372	22,182	77	22,259	9.8
Youngstown.....	14,891	404	591	27	15,913	58	15,971	7.0
North Ohio River.....	14,836	612	6,763	108	22,319	625	22,944	10.1
Buffalo.....	8,246	-----	211	1,198	9,655	834	10,489	4.6
Middletown-Newport.....	8,566	-----	80	322	8,968	1,911	10,879	4.8
Detroit.....	29,792	2	-----	250	30,044	141	30,185	13.3
Portsmouth-Ashland.....	4,299	-----	-----	17	4,316	301	4,617	2.0
Baltimore.....	13,878	-----	3,854	123	17,855	3,267	21,122	9.3
Birmingham.....	6,752	-----	52	334	7,138	1,737	8,875	3.9
Canton-Massillon.....	1,009	1	-----	-----	1,040	-----	1,040	0.4
St. Louis.....	2,677	-----	27	100	2,804	-----	2,804	1.2
Eastern Pennsylvania, Philadelphia, Delaware.....	1,277	45	-----	116	1,438	2,713	4,151	1.8
Indiana-other.....	563	-----	19	-----	582	-----	582	0.3

¹ Producing areas conform to Form B consuming areas except Middletown-Newport and Portsmouth-Ashland which include these cities only.² These shipments are those from which the Form B analysis has been prepared, others have been excluded.

Source: Compiled from the Temporary National Economic Committee questionnaire, Form B, February 1939.

TABLE 4A.—Hot rolled strip shipments, February 1939 (net tons)

Producing area ¹	Domestic shipments to consuming districts (basing point sales) ²	F. O. B. mill sales	Shipments to plants or warehouses of the same or affiliated companies	Shipments to jobbers' warehouses	Total domestic shipments	Exports	Total shipments	Percent of total shipments
Total.....	67,896	27	7,705	149	75,777	1,671	77,448	100.0
Youngstown.....	25,271	-----	3,101	73	28,445	584	29,029	37.5
Chicago.....	11,903	-----	303	4	12,210	12	12,222	15.8
Pittsburgh.....	4,516	-----	28	28	4,572	71	4,643	6.0
Detroit.....	9,215	-----	15	-----	9,230	413	9,643	12.4
North Ohio River.....	8,792	27	-----	17	8,836	428	9,264	12.0
Cleveland.....	3,777	-----	-----	-----	3,777	-----	3,777	4.9
Metropolitan New York Rhode Island.....	2,566	-----	4,258	-----	6,824	1	6,825	8.8
St. Louis.....	1,328	-----	-----	27	1,355	162	1,517	1.9
Georgia.....	528	-----	-----	-----	528	-----	528	7

¹ Producing areas conform to Form B consuming areas.

² These shipments are those from which the Form B analysis has been prepared, others have been excluded.

Source: Compiled from the Temporary National Economic Committee questionnaire, Form B, February 1939.

EXHIBIT No. 2198

SUMMARY OF ANALYSIS OF FORM B DISTRIBUTION OF SELECTED STEEL PRODUCTS, FEBRUARY 1939

In analyzing the attached table the following should be noted:

1. When prices are quoted such prices are in dollars per net ton.
2. Table references indicated refer to the 18 Form B analysis tables from which this summary has been prepared. Where no table number appears the table number immediately preceding applies.
3. Figures in the body of the table which are in brackets have been adjusted for basing point price differentials.
4. All minus figures regarding "freight absorption" indicate "phantom freight."

Summary of Analysis of Form B Distribution of Selected Steel Products, February 1939

A. BASING POINT STRUCTURE AND LOCATION OF CAPACITY (TABLES 1 AND 2)

	Heavy Structural Shapes	Plates	Hot Rolled Sheets	Hot Rolled Strip
<i>Table 1</i>				
1. Published base price per ton at Pittsburgh, February, 1939.....	\$42.00	\$42.00	\$43.00	\$43.00
2. Change in number of published basing points in June, 1938:				
Increases.....	1	2	6	4
Decreases.....	1	0	0	1
Number of Basing Points, February, 1939.....	8	11	11	7
3. Range in differentials over Pittsburgh which were eliminated June, 1938.....	\$1.00 to \$3.00, inclusive	\$1.00 to \$4.00, inclusive	\$2.00 to \$3.00, inclusive	\$2.00 to \$3.00, inclusive
4. Range of base price declines.....	\$2.00 to \$6.00, inclusive	\$3.00 to \$7.00, inclusive	\$5.00 to \$8.00, inclusive	\$5.00 to \$8.00, inclusive
<i>Table 2</i>				
5. Percent of capacity 0-25 miles from nearest basing point (after the above changes).....	85.1%	76.7%	57.7%	65.5%
6. Percent of capacity 0-50 miles from nearest basing point.....	96.1%	78.5%	77.9%	79.4%
7. Percent of capacity over 100 miles from nearest basing point.....	3.5%	2.0%	5.0%	9.3%

Summary of Analysis of Form B Distribution of Selected Steel Products, February 1939—Continued

B. REPRESENTATIVE CHARACTER OF THE SAMPLE (TABLES 3 TO 7, INCLUSIVE)

	Heavy Structural Shapes	Plates	Hot Rolled Sheets	Hot Rolled Strip
<i>Table 3</i>				
1. Percent of capacity sampled in Form B.....	79.9%	85.3%	78.9%	85.7%
2. Percent of integrated company capacity.....	95.9%	80.9%	85.8%	69.5%
Percent sampled in Form B which represents integrated companies.....	94.9%	80.0%	89.2%	67.9%
<i>Table 4</i>				
3. Producing areas from which percentage of total shipments differed substantially from percent of total capacity sampled:	<i>Chicago</i>	<i>Detroit</i>	<i>Detroit</i>	<i>Pittsburgh</i>
Capacity.....	26.7%	10.7%	6.3%	12.8%
Shipments.....	19.9%	0.6%	13.3%	6.0%
	<i>Buffalo</i>	<i>Baltimore</i>	<i>Chicago</i>	<i>No. Ohio R.</i>
Capacity.....	7.3%	9.4%	12.4%	7.3%
Shipments.....	12.2%	15.5%	19.9%	12.0%
		<i>Birmingham</i>	<i>Baltimore</i>	<i>Met. N. Y.-R. I.</i>
Capacity.....		5.3%	4.8%	4.2%
Shipments.....		9.9%	9.3%	8.8%
<i>Table 5</i>				
4. Percent of capacity sampled in Form A by districts.....	81.0%	58.4%	48.0%	27.8%
5. Percent of capacity sampled in Form A by states.....	84.0%	77.2%	82.3%	65.1%
<i>Table 6</i>				
6. Range of percentage distribution of shipments by consuming regions 1936-38 incl. and February, 1939:				
N. E.....	4.9	13.3	5.3	11.1
N. C.....	11.9	13.9	15.6	14.6
W. C.....	3.2	2.1	1.6	0.7
S. E.....	4.2	4.4	3.5	2.0
S. and S. W.....	3.0	5.6	2.4	2.9
MT. and W.....	1.8	3.2	6.6	3.1
<i>Table 7</i>				
7. Number of states in which the percentage distribution of shipments varies less than 0.5 (Form A by states).....	36	32	38	37
8. Number of districts in which the percentage distribution of shipments varies less than 0.5:				
(Form A by districts only).....	51	40	45	48
(Form A by districts and Form B combined).....	36	33	39	40

C. DETAILED ANALYSIS BY SELECTED CONSUMING AREAS (TABLES 8 TO 11 INCLUSIVE AND TABLE 13)

<i>Table 8</i>				
1. Average of shipments taken by areas receiving 2 percent or more of total shipments.....	65.6%	79.3%	84.4%	88.9%
2. Number of consuming areas receiving 2 percent or more of total shipments.....	14.	18.	13.	12.
	<i>Birmingham</i>	<i>St. Louis</i>	<i>Birmingham</i>	<i>Georgia</i>
	35.7%	45.4%	40.2%	10.8%
3. Range of percentages of shipments to selected areas among producing areas.....	<i>Ea. Pa.-Phila.</i>	<i>Detroit</i>	<i>Detroit</i>	<i>Detroit</i>
	74.4%	100.0%	93.9%	99.5%

¹ Variation in a large part explained by the fact that the return of a major Detroit producer was not included in Form A but was included in Form B.

Summary of Analysis of Form B Distribution of Selected Steel Products, February 1939—Continued

C. DETAILED ANALYSIS BY SELECTED CONSUMING AREAS (TABLES 8 TO 11 INCLUSIVE AND TABLE 12)—Continued

	Heavy Structural Shapes	Plates	Hot Rolled Sheets	Hot Rolled Strip
<i>Table 9</i>				
4. Percentage of shipments received in selected consuming areas supplied from producing areas showing lowest freight absorption.....	(61.6%) 61.6%	(50.2%) 48.5	(33.5%) 34.8%	(40.7%) 40.7%
5. Over-all average freight absorption for shipments supplied to selected consuming areas from "governing" producing areas.....	(\$0.06) 0.06	(\$0.14) 0.24	(-\$0.69) 0.04	(-\$0.92) -0.26
6. Range of freight absorption for shipments to consuming areas from "governing" areas (\$0.43).....	-\$4.42 to 0.43	-\$3.89 to (\$10.67) 10.41	-\$2.92 to (\$0.50) 0.50	-\$6.59 to (\$0.60) 0.60
7. Range of percentages of shipments received in selected areas from producing areas with lowest freight absorption.....	(0.6 to 93.7%) 0.6 to 93.7%	(0.7 to 100.0%) 0.7 to 100.0%	(0.3 to 73.9%) 0.8 to 73.9%	(8.0 to 86.5%) 8.0 to 86.5%
8. Average freight absorption on total shipments to selected consuming areas from all sources.....	(1.16) \$1.62	(1.45) \$2.61	(1.13) \$1.60	(0.95) \$1.42
<i>Table 10</i>				
9. Number of reported cases in which computed base prices exceed the published base price.....	21 out of 88	56 out of 155	33 out of 195	32 out of 100
10. Number of reported cases in which computed base prices are equal to or below published base prices by less than \$2.00.....	46	72	55	30
Same—\$2.00 to \$5.00 below.....	14	22	62	24
Same—more than \$5.00 below.....	7	5	45	14
11. Consuming area having maximum variation below base price.....	<i>Detroit</i> -\$8.05 to 0.18	<i>Texas</i> -\$8.33 to -0.21	<i>Cleveland</i> -\$3.79 to -15.98	<i>Detroit</i> -\$1.04 to -0.85
12. Consuming areas in which variation below the base price was outstanding.....	(1)	(2)	(3)	(4)
<i>Table 11</i>				
13. Basing points on which sales were made in excess of published base prices (excess).....	<i>Pacific Ports</i> \$0.38	{ Clay --- \$1.03 Coates --- .41 Yst --- .79 Sparrows Pt. - \$0.22	None	None
14. Range of deviation among basing points of sales made at a computed base price below published base price.....	<i>Buffalo</i> -\$1.08 <i>Pittsburgh</i> -\$2.41	<i>Gulf Ports</i> -\$3.22	<i>Pacific Ports</i> -\$1.42 <i>Birmingham</i> \$-5.80	<i>Middletown</i> -\$1.15 <i>Birmingham</i> -\$5.53
<i>Table 13</i>				
15. Rates of requirements of producing areas to the shipments from those areas. (over-all average).....	49.2%	48.5%	71.7%	77.8%
16. Range of ratios of requirements of producing areas to shipments from those areas by areas.....	<i>Buffalo</i> 9.9% <i>St. Louis</i> 147.9%	<i>Birmingham</i> 25.1% <i>Detroit</i> 278.5%	<i>Birmingham</i> 15.4% <i>Detroit</i> 154.9%	<i>Georgia</i> 8.1% <i>Detroit</i> 291.8%
20. Proportion of requirements of areas supplied by home plants.....	75.0%	75.8%	52.1%	41.8%
21. Range of proportions of requirements of areas supplied by home plants. (plants in identical areas).....	<i>St. Louis</i> 25.5% <i>Ea. Pa.—Phila.</i> —Met. N. Y. 84.0%	<i>Cleveland</i> 11.0% <i>Birmingham</i> 100.0%	<i>St. Louis</i> 24.0% <i>Birmingham</i> 95.6%	<i>Cleveland</i> 8.6% <i>Youngstown</i> 86.5%

1 Birmingham, Detroit, Indiana, Pittsburgh, Texas.

2 Youngstown, So. California, Illinois—other, Virginia, Texas.

3 Philadelphia, Cleveland, Youngstown, Ohio—other, Chicago, Indiana—other, Detroit, Michigan—other, Texas.

4 Massachusetts, Buffalo, Pittsburgh, Chicago, Canton-Mass.-Mans., Detroit.

Summary of Analysis of Form B Distribution of Selected Steel Products, February 1939—Continued

D. "GOVERNED" AREAS DEFINED BY SHIPMENTS PRICED ON THE NEAREST BASING POINTS (TABLE 12)

	Heavy Structural Shapes	Plates	Hot Rolled Sheets	Hot Rolled Strip
1. Average percentage of shipments priced on the nearest basing point.....	67.7%	52.0%	50.3%	52.5%
2. Average advantage in mill net to mills from pricing on nearest basing point.....	\$2.17	\$2.03	\$1.93	\$1.57
3. Average advantage in freight absorption to mills from pricing on nearest basing point.....	\$5.52 (3.33)	\$4.82 (2.68)	\$2.45 (2.33)	\$3.25 (3.37)
4. Producing area receiving the least advantage in mill net by pricing on nearest basing point as compared to pricing on all other basing points.....	<i>Birmingham</i> \$0.04	<i>Detroit</i> \$-10.51	<i>Canton-Massillon-Mansfield</i> \$-1.84	<i>Chicago</i> \$-3.34
5. Producing area receiving the greatest advantage in mill net by pricing on nearest basing point.....	<i>Colorado</i> \$4.94	<i>Cleveland</i> \$5.40	<i>Buffalo</i> \$5.46	<i>Georgia</i> \$7.53
6. Range of freight absorption between producing areas on sales prices on the nearest basing point.....	<i>Colorado</i> \$-2.48 <i>Birmingham</i> \$0.91	<i>Detroit</i> \$-3.81 <i>St. Louis</i> \$1.29	<i>Philadelphia</i> \$-2.01 (\$ 2.01) <i>Pittsburgh</i> \$2.34 (\$2.34)	<i>Met. N. Y.-R. I.</i> \$-6.13 (\$-6.13) <i>Pittsburgh</i> \$0.92 (\$0.92)
7. Range of percentages of sales priced on the nearest basing point by producing areas.....	<i>Buffalo</i> 20.3% <i>St. Louis</i> 94.1%	<i>Youngstown</i> 16.7% <i>Chicago</i> 92.2%	<i>Youngstown</i> 22.9% <i>Birmingham</i> 96.5%	<i>Youngstown</i> 26.3% <i>Met. N. Y.-R. I.</i> 93.3%
8. Range of mill nets on total sales by producing areas.....	\$2.44	\$9.47	\$6.90	\$9.14

E. "GOVERNED" AREAS DEFINED BY SHIPMENTS TO AREAS IN WHICH FREIGHT ABSORPTION IS EQUAL TO OR LESS THAN THE AVERAGE FOR SHIPMENTS PRICED ON THE NEAREST BASING POINT (TABLE 14)

1. Average percentage of shipments by producing areas to "governed" market areas as defined by freight absorption on sales priced on the nearest basing point.....	\$26.9% 25.8%	\$27.3% 25.4%	\$34.3% 34.6%	\$13.6% 13.6%
2. Average freight absorption on sales to "governed" areas.....	\$(-0.45) -4.43	\$(-0.04) -0.04	\$(-0.52) 0.10	\$(-0.73) -0.73
3. Average freight absorption on sales to other than "governed" areas.....	\$(1.71) 2.63	\$(2.14) 3.46	\$(2.11) 2.53	\$(1.16) 1.66
4. Range of advantage in freight absorption from sales to "governed" areas over other sales.....	<i>Eastern Pa.</i> \$(0.88) 1.38 <i>Colorado</i> \$(12.32) 15.96	<i>Cleveland</i> \$(1.24) 1.24 <i>Detroit</i> \$(6-85) 6.85	<i>(Chicago)</i> <i>St. Louis</i> \$(0.92) 1.69 <i>(Youngstown)</i> <i>Buffalo</i> \$(6.48) 3.54	<i>(Detroit)</i> <i>Cleveland</i> \$(-1.07) -0.34 <i>Georgia</i> \$(5.86) 5.86
5. Range of percentages of shipments to "governed" market areas by producing areas.....	<i>Buffalo</i> (9.9%) 9.9% <i>Chicago</i> (44.6) 41.6	<i>(Youngstown)</i> <i>Baltimore</i> (2.6%) 1.0% <i>Detroit</i> (96.0) 96.0	<i>Youngstown</i> (0.2%) 0.0% <i>Detroit</i> (69.8) 69.8	<i>(Detroit)</i> <i>Cleveland</i> (0.0%) 0.0% <i>Georgia</i> (27.5) 27.5
6. Advantage in freight absorption on sales to "governed" areas over freight absorption on all sales.....	\$(1.57) 2.26	\$(1.58) 2.61	\$(1.73) 1.59	\$(1.63) 2.07

Summary of Analysis of Form B Distribution of Selected Steel Products, February 1939—Continued

F. "GOVERNED" AREAS DEFINED BY SHIPMENTS TO AREAS IN WHICH MILL NET IS EQUAL TO OR GREATER THAN THE AVERAGE FOR ALL SHIPMENTS PRICED ON THE NEAREST BASING POINT (TABLE 15).

	Heavy Structural Shapes	Plates	Hot Rolled Sheets	Hot Rolled Strip
1. Average percentage of shipments from producing areas to "governed" consuming areas as defined by mill nets on the nearest basing point.....	32.8%	48.8%	35.8%	34.2%
2. Average mill net on sales to "governed" areas.....	\$41.13	\$41.25	\$40.17	\$40.18
3. Average advantage in mill nets on sales to "governed" areas over other areas.....	\$2.78	\$3.25	\$3.66	\$2.43
4. Range of advantage in mill nets from sales to "governed" areas over other sales.....	Chicago \$1.64 Colorado \$12.65	Pittsburgh \$2.76 Detroit \$13.01	Birmingham \$1.96 C. M. & M. \$7.40	Cleveland \$1.88 Georgia \$12.55
5. Range of percentages of sales to "governed" areas by "governing" areas.....	Buffalo 9.9% Birmingham 57.9%	Baltimore 19.8% Detroit 96.0%	Cleveland 1.4% Detroit 69.5%	Detroit 0.5% Met. N. Y. & R. I. 72.2%
6. Average advantage in mill net on sales to "governed" areas over all sales.....	\$1.87	\$1.67	\$2.35	\$1.63

G. "GOVERNED" AREAS DEFINED BY SHIPMENTS AT LOWEST FREIGHT ALLOWED FROM PRODUCING AREAS (TABLE 16)

1. Percent of total shipments by all producing areas shipped to "governed" areas.....	57.7%	66.7%	43.1%	43.7%
2. Range in ratios of sales by producing areas into "governed" areas to total receipts in "governed" areas.....	St. Louis 13.6% Ea. Pa.-Phila. Del. 74.6%	St. Louis 1.8% Birmingham 80.1%	Indiana-other 3.0% Pgh.-Yst.-N. O. R. 83.4%	Cleveland 7.5% Pgh.-Yst.-N. O. R. 97.5%
3. Range in ratios of sales by producing areas to total shipments by producing area.....	Buffalo 21.1% St. Louis 90.1%	St. Louis 3.5% Detroit 96.0%	Pgh.-Yst.-N. O. R. 11.6% Phila.-Balt. 82.8%	Cleveland 18.5% Met.-N. Y.-R. I. 98.0%
4. Range in the ratio of total receipts of "governed" areas to total shipments by "governing" areas.....	Buffalo 22.9% St. Louis 662.6%	Pgh.-Yst.-N. O. R. 60.9% Cleveland 397.3%	Pgh.-Yst.-N. O. R. 13.9% Indiana-other 1624.3%	Pgh.-Yst.-N. O. R. 30.0% Met. N. Y.-R. I. 311.6%
5. Total "governed" area receipts that were less than total shipments of "governing" areas ("Governed" receipts as percent of "governing" area shipment by producing area).....	Buffalo 22.9% Colorado 41.3% Pgh.-N. O. R. 61.8% Chicago 93.7%	Pgh.-Yst.-N. O. R. 60.9% Birmingham 63.0%	Pgh.-Yst.-N. O. R. 13.9% Mdl-Newpt.-Ashland 76.8% Chicago 79.1% Buffalo 84.7%	Pgh.-Yst.-N. O. R. 30.0% St. Louis 67.9% Chicago 81.9%

Summary of Analysis of Form B Distribution of Selected Steel Products, February 1939—Continued

H. REPORTED SHIPMENTS NOT EXPLAINABLE BY AVAILABLE DATA (TABLES 17-18)

	Heavy Structural Shapes	Plates	Hot Rolled Sheets	Hot Rolled Strip
<i>Table 17</i>				
1. Ratio of reported shipments priced on basing points which could not govern according to published freight rates to total shipments analyzed	2.4%	1.6%	5.2%	5.6%
<i>Table 18</i>				
2. Percentage of sales at a calculated base price exceeding the published base price	3.7%	39.8%	Less than 0.05%	0.3%
Percentage of shipments by all producing areas to "governed" areas defined as in:				
Section D	67.7%	52.0%	50.3%	52.5%
Section E	(26.9%) 25.8%	(27.3%) 25.4%	(34.3%) 34.6%	(13.6%) 13.6%
Section F	32.8%	48.8%	35.7%	34.2%
Section G	57.7%	66.7%	43.1%	43.7%

EXHIBIT No. 2200

CARNEGIE-ILLINOIS STEEL CORPORATION

UNITED STATES STEEL CORPORATION SUBSIDIARY

General Offices: Carnegie Building

PITTSBURGH, PA.,

CLEMENT V. MCKAIG

Vice President and General Manager of Sales

J. HALSEY MCKOWN

Assistant Vice President and Assistant General Manager of Sales

MAY 21, 1936.

Personal and Confidential

To all Managers of Sales:

PRICE ANNOUNCEMENT PROGRAM

GENTLEMEN: We will begin our price announcement program by announcing prices on Bars and Small Shapes, later Strip, then Sheets, and our other commodities will be given consideration as promptly as possible. We hope to mail to you an initial supply of the Price Announcement forms so that you will have these Saturday, May 23rd, and we will then let you know the basis on which to arrange the announcement on Hot Rolled Carbon Steel Bars and Small Shapes.

We are enclosing as an item of advance information one of the early proofs of this announcement which will have a slight change in the first paragraph, modifying the last part of the sentence to read "for shipment during the calendar quarter year ending September 30, 1936." This will then mean that we can complete obligations that were incurred prior to this announcement date, or that we can, where we are able to make shipments by June 30th, continue after the announcement date to take business at the prices that were in effect prior to this announcement.

It is going to be necessary in making our price announcement to insert the delivered price on the commodity involved. The simplest way to handle this will be for each District Sales Office to insert on one of these blanks the price delivered at the point at which their particular customer wishes to take delivery, mailing this blank with that delivered price to that customer.

The delivered prices will be made in accordance with our usual custom, and further details will be passed along to you as quickly as possible.

We are giving you this advance information, however, so that you can organize your program for sending out this announcement.

Yours very truly,

J. H. MCKOWN,

Assistant Vice President and Assistant General Manager of Sales.

EXHIBIT No. 2201

CARNEGIE-ILLINOIS STEEL CORPORATION
UNITED STATES STEEL CORPORATION SUBSIDIARY
General Offices: Carnegie Building
PITTSBURGH, PA.,

CLEMENT V. MCKAIG

Vice President and General Manager of Sales

J. HALSEY MCKOWN

Assistant Vice President and Assistant General Manager of Sales

MAY 23RD, 1936.

To All Managers of Sales:

PRICE ANNOUNCEMENT

Referring to our letter of May 21st, we are having sent to you today an initial supply of the following price announcement forms:

HOT ROLLED CARBON STEEL, with the commodity column left blank so that the commodity or commodities you are announcing to an individual customer can be inserted.

HOT ROLLED CARBON STEEL, with Structural Shapes and Plates, printed under "COMMODITY", on which the delivery point and price can be inserted, and to which can be added, as required, other commodities.

HOT ROLLED CARBON STEEL; two copies each of our form with the delivered prices at Pittsburgh and Chicago on Structural Shapes and Plates.

It will, as stated in our letter of May 21st, be necessary for you to announce prices to your individual customers, combining commodities where you find it is appropriate. In figuring these prices the usual practice of adding the published all-rail rate of freight, or using arbitrary rates as established, will be followed.

We will in the future, however, always quote delivered prices, and where you in turn quote your customer a delivered price at another point, the freight rate will be added after deducting from the delivered prices quoted herein, the delivery charges of 2½¢ or 3¢ per 100 lbs., or 50¢ or 60¢ per gross ton, as the case may be.

We have today sent you a wire stating for business to be shipped during the Third Calendar Quarter year, ending September 30th, 1936, the prices on Re-Rolling and Forging Billets, Blooms and Slabs, Sheet Bars, Structural Shapes and Plates would be advanced \$2.00 a ton, which will result in the following delivered prices:

		Pittsburgh	Youngstown	Chicago	Gary	Duluth
Re-Rolling Billets.....	GT	\$30.50	\$30.50	\$30.60	\$30.60	\$32.50
Forging Billets.....	GT	37.50	37.50	37.60	37.60	39.50
Sheets Bars.....	GT	30.50	30.50	30.60		
Structural Shapes.....	100#	1.925		1.98	1.98	
Plates.....	100#	1.925		1.98	1.98	

This will result in the following delivered prices at the points noted:

	Billets		Sheet bars	Shapes	Plates
	Re-Rolling	Forging			
	G.T.	G.T.	G.T.	100#	100#
Detroit.....	\$33.00	\$40.00			
Eastern Michigan Points.....	34.00	41.00			
Gulf Ports.....				\$2.325	\$2.325
Pacific Coast Ports.....				2.475	2.475

There will be no change in the price of Skelp and advices will be supplied you later in the day, or early next week, regarding other commodities.

In using this method of naming delivered prices in our announcements, it is obvious it would not be appropriate to include many of the factors previously made a part of our quotations, but, nevertheless, all of our established practices will be followed in arriving at such delivered prices.

If there are any questions whatever, we ask that you confer with us freely as we do not wish to make a mistake in proceeding in this manner, owing to the fact that when such price announcements are made to the trade we are obligated under the Clayton Act to abide by these prices without any deviation.

Very truly yours,

J. H. McKOWN,

Assistant Vice President and Assistant General Manager of Sales.

EXHIBIT No. 2202

STEEL BUYERS OVERWHELMINGLY OPPOSED TO FTC PLAN OF STEEL PRICING

[The Iron Age, April 20, 1939]

By C. E. Wright, Managing Editor, The Iron Age

RESULTS OF IRON AGE POLL ON STEEL BASING POINT SYSTEM

Up to the time of going to press 304 votes had been received from steel buyers on the question shown in an adjoining column. On Question No. 1, there were 268 "yes" votes and 22 "no" votes. On Question No. 2 there were 37 "yes" votes and 233 "no" votes.

The difference in the number of votes on the two questions is due to the fact that some voted only on one question.

Geographically, the votes were recorded as follows:

Alabama.....	3	Maine.....	1	Oklahoma.....	2
California.....	6	Maryland.....	2	Pennsylvania.....	43
Colorado.....	1	Massachusetts.....	18	Rhode Island.....	3
Connecticut.....	12	Michigan.....	31	Texas.....	3
Florida.....	2	Minnesota.....	3	Vermont.....	1
Georgia.....	2	Missouri.....	9	Virginia.....	2
Illinois.....	17	Nebraska.....	3	Washington.....	1
Indiana.....	10	New Jersey.....	13	West Virginia.....	4
Iowa.....	4	New York.....	25	Wisconsin.....	15
Kansas.....	4	North Carolina.....	1	Scattered.....	8
Kentucky.....	4	Ohio.....	51		

The results of this poll seem to point conclusively to widespread opposition among steel buyers to any change in the steel basing point system which would deprive steel sellers of the right to equalize freight rates, a method of selling which a majority of buyers declare gives them the opportunity to buy from a number of different sources at no difference in delivered cost.

If further returns are received, they will be tabulated in subsequent issues.

That the steel buyers of the country are overwhelmingly opposed to the Federal Trade Commission's plan of steel pricing as proposed in its recent memorandum to the Temporary National Economic Committee is indicated by a survey made by THE IRON AGE, results of which are shown in the above box.

(The complete report of the Federal Trade Commission was published in THE IRON AGE of March 16, page 49.)

In order to test the opinion of steel consumers and distributors on the Federal Trade Commission's proposal, THE IRON AGE has taken a sampling poll by mail. Two questions were asked:

1. Do you feel that your ability to buy steel from a number of different sources at no difference in the delivered cost to you is an advantage in the economical operation of your business?

2. Do you agree with the contention of the Federal Trade Commission that the abolition of freight rate equalization on steel shipments would be a good thing for the steel consuming industry?

These questions were sent to 1000 buyers of steel. The names were selected at random from directories, but care was taken that all sections of the metal-working industry covering a wide variety of products should be represented and that the names should include large, medium and small companies. The geographical distribution was such as to include all states.

Opportunity was given to vote anonymously, but a great many voted without concealment of their names, and some took the occasion to send in comments,

some of which criticised the Federal Trade Commission's plan severely as lacking in "plain common sense," as "silly," and as likely to bring "disaster to some units." The present system was described as "the most equitable" for all buyers. Some sentiment was expressed by steel buyers that every mill should be a basing point for the products it makes, but the opinion seems to be almost unanimous that the abolition of freight rate equalization would deprive buyers of the opportunity which now exists to buy from any one or more of a number of different sources of supply without difference in cost.

Only in the structural steel fabricating industry is there a serious complaint against the present system, and that complaint is not primarily a result of the basing point system but arises partly from the fact that fabrication-in-transit rates frequently operate disadvantageously for some localities.

COMMENTS OF STEEL USERS ON FTC PRICING PLAN

A Manufacturer of Machine Parts.

Our company is a very substantial consumer of cold drawn bar steel and we are located away from any basing point. We have occasion to purchase steel from several different producers located in different sections of the country, and there are several good reasons why we do so, viz., we find that one producer may have one type or grade of product which is preferred for one reason or another as compared with any other producer of this same product, whereas another type or grade of another producer may be found advantageous for us to use.

Our company manufactures a specialty line of machine parts to order on which it is, of course, necessary for us to predetermine our exact delivered cost of raw material. When it comes to placing our raw material orders, the matter of delivery from the steel mill may be vitally important to us; and this being the case, we are, under the present practice of basing point sales, able to purchase our requirements from any one of many sources on exactly the same delivered price cost, thereby enabling ourselves to place our business where we can obtain the best delivery, which oftentimes is vitally essential, and without having to pay any increased price due to difference in freight rates from different mills. This difference in freight costs might easily represent a loss of \$3.00 or more per ton were it necessary for us to purchase from a distant mill in order to secure the delivery required.

The adoption of f. o. b. mill practice of selling would, we believe, result in a very chaotic condition both to the producer and consumer.

There are so many objectionable features to such a change in practice, which would very seriously affect both producer and consumer, that we would consider it ridiculous on the part of the Federal Trade Commission to give any very serious consideration to such a change.

The f. o. b. practice would be very advantageous to large producers with producing mills scattered around the country and it would certainly inflict a terrible hardship on the small independent producer. It is difficult to see just how the small independent producer could survive if it became necessary to sell f. o. b. mill without freight equalization, and we are very definitely interested in their future inasmuch as we find them to be entirely satisfactory sources, especially so from a service standpoint.

We would prefer not to write anonymously on this subject, but at the present moment we have reasons for so doing. But we do desire to again emphasize the point that we are a very substantial consumer of steel.

An Ohio Machinery Builder.

We are interested in this subject and have from time to time given the question of pricing careful consideration. We think we can see many reasons for and against the present system of pricing, but we are quite certain it would be a mistake to make any more arbitrary changes affecting industrial operation at the present time.

It seems to us that the deplorable condition of employment, finance, and business in general is largely due to the fact that so many changes have been made by the New Deal Government during the last few years. If we are ever to get back to a normal and sound condition we will have to stop making changes and place more reliance upon the play of natural influences.

A Missouri Manufacturer.

We have of course been familiar with the attempts which have been made toward prohibiting the equalization of freight rates on steel, and, while we have

tried to see advantages which might result from a definite f. o. b. mill price basing system, we cannot see any advantages that would arise out of such a system and we believe the present method is best.

A New England Tool Manufacturer.

If the basing point system is abolished, it might mean disaster to some units.

A Western Pennsylvania Spring and Axle Manufacturer.

The mills in our district do not furnish all the products nor the prompt service we need.

A Central New York Steel Jobber.

Would like to see the old Pittsburgh Plus restored.

Purchasing Agent of a Large New Jersey Manufacturer of Automobile Parts.

The present set-up to me is most equitable because if otherwise it would mean that freight would be charged from actual point of shipment rather than from centralized point which is going to considerably penalize the users. I can see no advantages whatsoever in making the change but rather to the contrary. And when I say that, I am speaking of industry as a whole or users of steel. Considerable of our wants are purchased in Ohio, therefore if basing point other than now in existence would apply, you can readily calculate as to how we would be penalized.

A New York State Manufacturer of Factory Equipment.

We feel the Federal Trade Commission plan on this is not at all practical; in fact in our opinion it lacks plain common sense.

President of a Rhode Island Bolt and Nut Manufacturer.

We have been buyers of steel for a good many years and it would be nothing short of a tragedy to return to the old system of f. o. b. mill. Being manufacturers of bolts and nuts, a good many of our products are also sold on the same basing system as our sources of supply of steel, and we have found that our customers generally accept and believe in it. The present system of freight charges tends to steady the market and in our line of business this is a very important factor.

A New Jersey Steel Jobber.

The change proposed by the Federal Trade Commission would make many hundreds of basing points instead of a few as every destination would be a basing point.

A West Virginia Manufacturer of Tools.

Let us all endeavor to keep the steel industry and all other industries as far from Government control as possible. Look at the railroads and weep. Our country has grown and become great, our steel industry has prospered under a system of free enterprise and competition. Why change?

A Maine Steel Jobber.

We believe the old Pittsburgh basis was for the best interests of all, including both dealers and consumers.

Purchasing Agent of a Rochester, N. Y., Manufacturer.

I do not agree with the Federal Trade Commission.

A St. Louis Sheet Metal Fabricator.

Most important is to have the Government stop agitating and let business alone for awhile.

A Missouri Sheet Metal Manufacturer.

Why is it that the type of man on these committees know nothing of the steel business or any other business—merely theorists, lawyers or college professors, and do not know our problems. Are we to continually place these political expediency examinations at the expense of business and the cost to the taxpayers with no results in stimulating prices instead of political control goals.

A West Virginia Manufacturer.

The more I hear of the continual agitation of the Federal Trade Commission for abandonment of the basing point figures in the steel business the more I am convinced the whole issue is a political skeleton in the closet to be brought out at convenient intervals and waved before the steel industry. If the basing point

system were to be totally abandoned, the very nature of the rolling mill business would automatically keep the system in effect. I am inclined to believe that the Federal Trade Commission knows this fact.

A Texas Steel Jobber.

Any business man that needs the help of the Federal Trade Commission in the conduct of his business will be out of business anyhow, so he does not need much sympathy. It is my opinion that negotiations between producers and buyers should be unrestricted by any Government agency. I recognize that it is necessary to have certain legislation to protect the weak from the strong, but I do not believe in regimentation of all industry by Government bodies who are only politically minded and absolutely without experience or practical knowledge.

A Texas Machinery Manufacturer.

Proposal (of Federal Trade Commission) is ridiculous; as insane and impractical as most Federal regulations for the past several years.

A Michigan Manufacturer.

The old Pittsburgh basing point was best for everyone. We have lost business ever since the change was made.

A Philadelphia Steel Jobber.

They (the Federal Trade Commission) are all wet. It would cause ruinous competition in selling our products.

An Omaha, Neb., Company.

We believe the best thing to do would be to make every mill a basing point on every product they make (not limited to the few basing points they now have) and then equalizing the freight rates. We do not object to the basing point system with freight equalization, what we object to is that we must buy sheets from a mill in Kansas City on a Chicago-Gary base, and the mill adds the difference in freight. Make every mill a basing point on every product they make, then go ahead and allow the mills farther away to equalize the freight.

President of a Structural Fabricating Company.

I think the Federal Trade Commission can cure a lot of the present trouble so far as the structural steel business is concerned if it would make it impossible for the mills to compete with their own customers. I have reference to the fabricating units of the two larger mills. It is just as reasonable that these mills make automobiles, tin cans, etc., etc., as it is for them to compete with independent fabricators on barges, bridges and buildings. Structural steel is a very small percentage of their total tonnage, still they permit that particular part of their business to upset the general market. There could be less objection if the mills' fabricating units used all the elements of cost in their fabricated structural prices, but this they do not do which I attribute to the animosity between these two companies.

A Wisconsin Structural Steel Fabricator.

The small consumer of steel is in a very much improved condition if he is able to buy steel from a number of different sources without freight disadvantages.

And that is true even though milling-in-transit in some instances would practically offset freight rate equalization.

The small consumer of structural steel, whenever his plant is located at some distance from the mills and in territory somewhat restricted as to milling-in-transit, will find his potential market tremendously curtailed, perhaps even to the extent of making it unreasonable for him to continue his business in that particular locality.

Plants, large and small, located in favorable milling-in-transit territory on mul towns, will have absolutely no restrictions or handicaps over anybody in the entire country, whereas the country in a great many instances will have handicaps.

To a very large extent equalization of freight rates on steel shipments will segregate territories east and west, and north and south, depending upon plant location and mill ranges, but unfortunately in this upheaval as to territory there will also be many a casualty, 98 per cent of them small steel fabricators and consumers.

A New York State Structural Steel Fabricator.

The largest tonnage we buy consists of wide flanged beams. Source of supply, two places: Bethlehem at Buffalo, Carnegie at Pittsburgh. We object to having only one source. We must have both sources and the prices must be alike f. o. b. Rochester.

If there is no way to accomplish that, the result in the steel industry will be disastrous to labor and owners and customers.

I have read every word you have printed on the subject. The statement of the commission "To fulfill this purpose, however, there must be no *obligation* to maintain any *announced price for any time whatsoever*," sounds absolutely silly to an experienced steel buyer or seller. In fact, a mill by taking technical advantage of this can meet any competition anywhere. It really permits a mill to quote a new price to every different inquiry and can quote a thousand different prices every day, allowing the destination point of shipment to govern the price so as to meet competition.

I am not satisfied, however, with present system. In connection with "fabrication-in-transit" system the Buffalo fabricator can deliver steel in Rochester and in our market just east of Rochester at a cost of \$1.50 plus or minus per ton less than ours. This for the plain steel including freight. To do this the Buffalo fabricator must buy in Pittsburgh. It is an odd situation. We are asking for the restoration of the system used prior to last June. The mills then quoted f. o. b. final destination of job. We were then on equal basis. Of course the system was abused. The mills themselves used it to chisel.

EXHIBIT No. 2203

[Copy]

AMERICAN IRON AND STEEL INSTITUTE,
350 Fifth Avenue, New York, June 3, 1935.

IMPORTANT

DEAR SIR: Your attention is earnestly directed to the enclosed copy of a preamble and resolutions that were adopted at a meeting of the Board of Directors, held today, for the purpose of considering the policy to be followed by members of the Industry during the present period of uncertainty.

Yours very truly,

WALTER S. TOWER,
Executive Secretary.

Enclosure

EXHIBIT No. 2204

[Copy]

COPY OF DRAFT OF PREAMBLE AND RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS OF AMERICAN IRON AND STEEL INSTITUTE AT A MEETING THEREOF, HELD JUNE 3, 1935

WHEREAS the Chairman of the National Industrial Recovery Board has issued a statement with regard to the decision of the United States Supreme Court in the Schechter Poultry Corporation case in which he expressed the hope "that all employers heretofore operating under approved codes and all their employees will cooperate in maintaining those standards of fair competition in commercial and labor relations which have been written into the codes with practically universal sanction, and which represent a united effort to eliminate dishonest, fraudulent trade practices and unfair competition in overworking and underpaying labor.";

Resolved, That it is hereby declared to be the sentiment of the Board of Directors of the American Iron and Steel Institute that the individual members of the Iron and Steel Industry, acting voluntarily, during the present uncertainty, maintain the present rates of pay and maximum hours of labor and the standards of fair competition which are set forth in the Steel Code, and that the members of the Industry continue to protect the employees' rights of collective bargaining; and

Resolved, That the Executive Secretary of the Institute be, and he hereby is, authorized and directed to send a copy of these resolutions to each member of the Industry.

EXHIBIT No. 2205

[Copy]

RESOLUTION ADOPTED BY MEMBERS OF IRON AND STEEL INDUSTRY ASSEMBLED
AT AMERICAN IRON AND STEEL INSTITUTE, JUNE 6, 1935

Resolved, That the members of the Iron and Steel Industry in General Meeting assembled this sixth day of June, 1935, hereby unanimously ratify the resolution of the Board of Directors of American Iron and Steel Institute, adopted June 3, 1935, and each of us hereby declares that the Company which he represents is in favor of supporting the position taken by such resolution and that it is the intention of such Company, acting individually and voluntarily, in so far as it may do so, during the present uncertainty to maintain the present rates of pay and maximum hours of labor and the standards of fair competition which are described in the Steel Code, and that such Company will continue to protect the employees' rights of collective bargaining.

EXHIBIT No. 2206

COMMERCIAL RESOLUTION No. A4¹

As Amended June 14, 1934

Effective June 21, 1934

PREAMBLE AND RESOLUTION DULY ADOPTED BY THE BOARD OF DIRECTORS AS AMENDED ON JUNE 14, 1934, WITH RESPECT TO SWITCHING CHARGES TO BE ADDED TO BASE PRICES FOR PRODUCTS DELIVERED AT BASING POINTS.

WHEREAS it is provided in Section 4 of Schedule E of the Code that when switching charges for the delivery of a product at a basing point are required to be added in determining the delivered price of such product pursuant to the provisions of said Section 4 the Board of Directors may by resolution fix such an arbitrary switching charge or such arbitrary switching charges for the delivery of such product as the Board shall deem proper with a view to preventing unequal competitive conditions in respect of the sale of such product for delivery at such basing point; and

WHEREAS a great diversity in the switching charges exists at the various basing points and on that account it is practically impossible in most cases for members of the Code to ascertain in advance of the sale of any product for delivery at any basing point the correct published tariff switching charges chargeable thereon pursuant to the provisions of said Section 4; and

WHEREAS the Board has been advised that the arbitrary rates prescribed in the following resolution are fair averages of the actual switching rates now in effect in the switching areas of the respective basing points at which such rates are to be applied;

Resolved That the Board of Directors hereby fixes, for the purposes of the provisions of Section 4 of Schedule E of the Code, arbitrary switching charges for the delivery of any product at any basing point for such product named in Schedule F of the Code, except pig iron sold for delivery in Jefferson County, Alabama, from any furnace located in that County, as follows:

(a) for deliveries in carload lots (minimum thirty tons) at Chicago, Illinois, and Gary, Indiana, and for deliveries in such carload lots from either of such places to the other, sixty cents per net ton, or, if the published base price for such product at such basing point is stated per gross ton, then sixty cents per gross ton;

(b) for deliveries in carload lots (minimum twenty-five tons) at all other basing points named in Schedule F of the Code, fifty cents per net ton, or, if the published base price for such product at such basing point is stated per gross ton, then fifty cents per gross ton; and

(c) for deliveries in less-than-carload lots at all basing points named in Schedule F of the Code, and for deliveries in less-than-carload lots from either Chicago, Illinois, or Gary, Indiana, to the other of such places, ten cents per hundred pounds, but not in any case exceeding on any one shipment the charge per carload at the carload rate hereinabove specified for the basing point in question.

¹ NOTE: This Commercial Resolution supersedes Commercial Resolution No. 20 as amended December 14, 1933, and Commercial Resolution No. 52 adopted on March 15, 1934.

EXHIBIT No. 2207

COMMERCIAL RESOLUTION No. A18¹

PREAMBLE AND RESOLUTION DULY ADOPTED BY THE BOARD OF DIRECTORS ON JUNE 14, 1934, AUTHORIZING REDUCTIONS IN THE DELIVERED PRICES FOR PRODUCTS DELIVERED BY THE TRUCK PROVIDED BY THE PURCHASER

WHEREAS it is provided in Section 4 of Schedule E of the Code that in any case in which a product shall be delivered by other than all-rail transportation the member of the Code selling such product may allow to the purchaser a reduction in the delivered price otherwise chargeable under the provisions of said Section at such rate previously approved by the Board of Directors and filed with the Secretary as the Board of Directors shall deem equitable and necessary, in order that competitive opportunity to producers and consumers of products shall be maintained; and

WHEREAS on recommendations heretofore made to the Board of Directors it approved rates of such reductions by members of the Code to purchasers of products delivered by truck provided directly or indirectly by such purchasers and for their account which the Board deemed and now deems to be equitable and necessary, in order that competitive opportunity to producers and consumers of products shall be maintained;

Resolved That in any case in which any purchaser shall require that any product purchased by him from a member of the Code be delivered by truck and such truck is provided, directly or indirectly, by such purchaser and for his account, such member of the Code may allow a reduction in the delivered price for such product otherwise chargeable under Section 4 of Schedule E of the Code and the regulations prescribed by, and the resolutions adopted by, the Board of Directors thereunder and then in effect (a) at a rate equal to 65% of the carload all-rail published tariff freight rate on such product from the point at which transportation of such product by truck began to the place of delivery of such product by truck to such purchaser (if such freight rate be published on a per car basis, the rate per ton shall be determined by dividing such charge per car by 25), or (b), if the transportation by such truck be at a basing point for such product, then at a rate equal to 65% of the rate of the applicable arbitrary carload switching charges, if any, at such basing point theretofore approved by the Board of Directors, or, if such Board shall not have approved a rate of arbitrary carload switching charges for such basing point, 65% of the rate per ton of the actual switching charges (computed on the basis of the minimum carload quantity to which such charges apply) applicable on the delivery of such product at such basing point under the provisions of said Section 4, from the point at which transportation of such product by truck began to the place of delivery of such product by truck to such purchaser; *provided, however*, that a sale of any product or products by a member of the Code for such delivery by truck may be deemed to be a sale of a carload or greater than carload quantity of such product or products only in case such sale covers not less than a carload quantity of such product or products for delivery at one time and the loading of such quantity thereof on the truck or trucks so provided by such purchaser and for his account shall have been completed not later than during the next working day after the day on which such loading of such quantity of such product or products began.

¹ NOTE: This Commercial Resolution supersedes paragraph (e) of Part I of Commercial Resolutions No. 8, as amended March 15, 1934.

EXHIBIT No. 2208

IRON AND STEEL INDUSTRY

CODE OF FAIR COMPETITION

REGULATIONS NO. 4¹ AS AMENDED OCTOBER 11, 1934

Regulations under Section 4 of Schedule E of the Code of Fair Competition of the Iron and Steel Industry

Re Reductions in the Delivered Prices of Products Delivered in Whole or in Part by Water Transportation and Reductions in the Delivered Prices of Products Sold for Delivery in the South Atlantic, Gulf or Pacific Coast States and Transportation Charges on Products Sold for Delivery at Places in the Canal Zone or at Ports in Alaska

Effective October 18, 1934

Wherever hereinafter used, unless the context shall otherwise clearly indicate, the terms which are defined in Article I of the Code of Fair Competition of the Iron and Steel Industry, approved on August 19, 1933, by the President of the United States of America, as amended on May 30, 1934, and in Section 1 of Schedule E thereof shall have the respective meanings therein set forth.

It is provided in Section 4 of Schedule E of the Code that, in any case in which a product shall be delivered by other than all-rail transportation, the member of the Code selling such product may allow to the purchaser a reduction in the delivered price otherwise chargeable under the provisions of such Section 4 at such rate previously approved by the Board of Directors and filed with the Secretary as the Board of Directors shall deem equitable and necessary, in order that competitive opportunity to producers and consumers of products shall be maintained.

On recommendations heretofore made to the Board of Directors it approved rates of such reductions in certain cases which it deemed and now deems to be equitable and necessary, in order that competitive opportunity to producers and consumers of products shall be maintained.

Such reductions might tend to create conditions of unfair competition between producers that can and those that cannot take advantage thereof. Therefore, the Board of Directors has determined that it is in the interest of the Iron and Steel Industry and of other branches of industry and that it will not tend to defeat the policy of Title I of the National Industrial Recovery Act to permit members of the Code, in the cases and to the extent hereinafter in these Regulations provided, to sell or contract for the sale of products produced by them, respectively, at delivered prices which shall be less than the delivered prices otherwise chargeable by such members, respectively, for such products under the provisions of such Section 4.

It is provided in such Section 4 that, in the case of a product destined for delivery at a place in the Canal Zone or at a port in Alaska, the member of the Code selling such product, in determining its delivered price therefor, shall add to its published base price for such product effective at the time of and for the sale thereof such charges in respect of transportation as shall have been previously approved by the Board of Directors and filed with the Secretary.

Accordingly, the Board of Directors hereby prescribes the following regulations with regard to (a) reductions in the delivered prices of products delivered in whole or in part by water transportation, (b) reductions in the delivered prices of products sold for delivery in the South Atlantic, Gulf or Pacific Coast states and (c) the transportation charges on products sold for delivery at places in the Canal Zone or at ports in Alaska:

1. In any case in which any purchaser shall require that any product purchased by him from a member of the Code delivered by ocean or rail-and-ocean or rail-ocean-and-rail transportation from the plant of such member to the place of delivery of such product at a South Atlantic port or through a South Atlantic port to a place of delivery in a South Atlantic state, such member of the Code may allow a reduction in the delivered price for such product otherwise chargeable under Section 4 of Schedule E of the Code that shall not be greater than the

¹NOTE: These Regulations No. 4 supersede Commercial Resolutions No. 8 as amended March 15, 1934 (except paragraph (e) of Part I of such Commercial Resolutions, which is superseded by a new Commercial Resolution No. A18 adopted on June 14, 1934), Commercial Resolution No. 18 adopted on September 20, 1933, Commercial Resolution No. 37 adopted on December 14, 1933, Commercial Resolution No. 43 adopted on January 11, 1934, and Commercial Resolution No. 56 adopted on April 12, 1934, all of which Commercial Resolutions have been rescinded effective June 21, 1934.

amount, if any, by which (1) the lowest delivered price that could then be charged under the Code by such member for such product delivered by all-rail transportation to such place of delivery shall exceed (2) the lowest delivered price for such product which could then be obtained by adding to the published base price (plus any extras required to be added thereto or less any deductions permitted to be made therefrom under Section 6 of such Schedule E) of such member for such product effective at the time of and for the sale thereof at any basing point the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, that would be applicable on the shipment of such product from such basing point to such place of delivery.

2. In any case in which any purchaser shall require that any product purchased by him from a member of the Code be delivered by ocean or rail-and-ocean or rail-ocean-and-rail transportation from the plant of such member to the place of delivery of such product at a Gulf port or through a Gulf port to a place of delivery in a Gulf state, such member of the Code may, subject to the proviso hereinafter in this paragraph 2 set forth, allow a reduction in the delivered price for such product otherwise chargeable under Section 4 of Schedule E of the Code that shall not be greater than the amount, if any, by which (1) the lowest delivered price that could then be charged under the Code by such member for such product delivered by all-rail transportation to such place of delivery shall exceed (2) the lowest delivered price for such product which could then be obtained by adding to the published base price (plus any extras required to be added thereto or less any deductions permitted to be made therefrom under Section 6 of such Schedule E) of such member for such product effective at the time of and for the sale thereof at any basing point the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, that would be applicable on the shipment of such product from such basing point to such place of delivery; *provided, however*, that, if any Gulf port is named in Schedule F of the Code as a basing point for such product, then (1), if such product be delivered as aforesaid at a Gulf port, except as otherwise provided in Section 3 of Schedule E of the Code, the delivered price which such member may charge for such product as such place of delivery shall not be less than the lowest published base price for such product effective at the time of and for the sale thereof at any such basing point plus the switching charges thereon at such basing point theretofore approved by the Board of Directors, and (2), if such product be delivered as aforesaid through a Gulf port to a place of delivery in a Gulf state, except as aforesaid, such delivered price shall not be less than the lowest published base price for such product effective at the time of and for the sale thereof at any such basing point plus the all-rail published tariff freight charges that would be applicable on the shipment of such product from such basing point to such place of delivery.

3. In any case in which any purchaser shall require that any product purchased by him from a member of the Code be delivered by ocean or rail-and-ocean or rail-ocean-and-rail transportation from the plant of such member to the place of delivery of such product at a Pacific Coast port that is not a basing point for such product or through a Pacific Coast port to a place of delivery in a Pacific Coast state and a Pacific Coast port is named in Schedule F of the Code as a basing point for such product, such member of the Code may allow a reduction in the delivered price for such product otherwise chargeable under Section 4 of Section E of the Code that shall not be greater than the amount, if any, by which (1) the all-rail published tariff freight charges to such place of delivery from the basing point for such product nearest in terms of all-rail published tariff freight charges to such place of delivery shall exceed (2) the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, that would be applicable on the shipment of such product from such basing point to such place of delivery.

4. In any case in which any purchaser shall require that any product purchased by him from a member of the Code be delivered by ocean or rail-and-ocean or rail-ocean-and-rail transportation from the plant of such member to the place of delivery of such product at a Pacific Coast port or through a Pacific Coast port to a place of delivery in a Pacific Coast state and none of the Pacific Coast ports is named in Schedule F of the Code as a basing point for such product, such member of the Code may allow a reduction in the delivered price for such product otherwise chargeable under Section 4 of Schedule E of the Code that shall not be greater than the amount, if any, by which (1) the lowest delivered price that could then be charged under the Code by such member for such product delivered by all-rail transportation to such place of delivery shall exceed (2) the lowest delivered price for such product which could then be obtained by adding to the published base price (plus any extras required to be added thereto or less any deductions permitted to be made therefrom under Section 6 of such Schedule E) of such member for

such product effective at the time of and for the sale thereof at any basing point the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, that would be applicable on the shipment of such product from such basing point to such place of delivery.

5. In any case in which any purchaser shall require that any product purchased by him from a member of the Code be delivered from the plant of such member by continuous water or rail-and-water or rail-water-and-rail transportation to the place of delivery of such product at a South Atlantic, Gulf or Pacific Coast port, or through any such port or through any port on that part of the Mississippi River extending from Vicksburg to New Orleans, both inclusive, to the place of delivery in any of the South Atlantic, Gulf or Pacific Coast states, such member of the Code may allow a reduction in the delivered price for such product otherwise chargeable under Section 4 of Schedule E of the Code which will make the delivered price for such product at such place of delivery as low as that permitted by paragraph 1, 2, 3, or 4, as the case may be, of these Regulations.

6. In the case of a sale by any member of the Code of any product for delivery in any of the South Atlantic, Gulf or Pacific Coast states from a plant of such member located in any of such states, if an available water or rail-and-water or rail-water-and-rail route and service from such plant to the place of delivery of such product does not then exist, the member of the Code selling such product may allow to the purchaser thereof a reduction in the delivered price therefor otherwise chargeable under the provisions of Section 4 of Schedule E of the Code in an amount which will result in a delivered price for such product sold or contracted to be sold by such member for delivery at such place of delivery as low as that permitted by paragraph 1, 2, 3, or 4, as the case may be, of these Regulations.

7. In any case in which any purchaser shall purchase from any member of the Code pig iron in an amount of 400 gross tons or more and shall require that such pig iron be delivered by water or rail-and-water transportation in a lot or lots of 400 gross tons or more f. o. b. barge alongside the dock of such purchaser at any port on the Ohio River, the Monongahela River or the Allegheny River between and including Wheeling, West Virginia, on the Ohio River, Monessen, Pennsylvania, on the Monongahela River and Ford City, Pennsylvania, on the Allegheny River, such member of the Code may allow a reduction in the delivered price of such pig iron otherwise chargeable under Section 4 of Schedule E of the Code in an amount which shall not exceed 60 cents per gross ton of such pig iron so delivered; *provided, however*, that, except as otherwise provided in Section 3 of Schedule E of the Code, the delivered price of such pig iron so delivered shall not in any case be less than the published base price of such member of the Code for such pig iron effective at the time of and for the sale thereof at the basing point nearest in terms of all-rail freight charges to the place of delivery of such pig iron plus 50 cents per gross ton of such pig iron.

8. In any case in which any purchaser shall purchase from any member of the Code pig iron in an amount of 1,500 gross tons or more and shall require that such pig iron be delivered by water or rail-and-water transportation in a lot or lots of 1,500 gross tons or more f. o. b. barge or vessel alongside the dock of such purchaser at Saginaw, Holland, Muskegon or South Haven, Michigan, such member of the Code may allow a reduction in the delivered price of such pig iron otherwise chargeable under Section 4 of Schedule E of the Code in an amount which shall not exceed \$1.30 per gross ton of such pig iron so delivered at Holland, Michigan, or \$1.35 per gross ton of such pig iron so delivered at Saginaw, Michigan, or \$1.50 per gross ton of such pig iron so delivered at Muskegon or South Haven, Michigan; and, if such purchaser shall require that such pig iron be delivered from the plant of such member of the Code at any of such places by barge or vessel which shall be provided by such purchaser and for his account, such member of the Code may allow a reduction in the delivered price of such pig iron otherwise chargeable under Section 4 of Schedule E of the Code in an amount (in addition to the amount of the reduction hereinbefore in this paragraph S provided for) which shall not exceed 50 cents per gross ton of such pig iron so delivered at Saginaw, Michigan, or \$1.15 per gross ton of such pig iron so delivered at Holland, Muskegon or South Haven, Michigan.

9. In any case in which any purchaser shall purchase from any member of the Code pig iron in an amount of 400 gross tons or more and shall require that such pig iron be delivered by water or rail-and-water transportation in a lot or lots of 400 gross tons or more f. o. b. barge or vessel alongside the dock of such purchaser at Phillipsdale, R. I., Branford, Conn., Bridgeport, Conn., Yonkers, N. Y., Brooklyn, N. Y., Elizabethport, N. J., Bayonne, N. J., Roebling, N. J., Burlington, N. J., or Florence, N. J., such member of the Code may allow a reduction in the delivered price of such pig iron otherwise chargeable under Section 4 of

Schedule E of the Code in an amount which shall not exceed 60 cents per gross ton of such pig iron so delivered.

10. In the case of a sale by any member of the Code of any product for delivery at any place in the Canal Zone, the transportation charges which such member or the Code shall be required, pursuant to the provisions of Section 4 of Schedule E of the Code, to use in determining the delivered price of such product at such place shall be the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, that would be applicable on the shipment of such product from the basing point on which the base price therefor is based to such place.

11. In the case of a sale by any member of the Code of any product for delivery at any port in Alaska, if a Pacific Coast port is not named in Schedule F of the Code as a basing point for such product, the transportation charges which such member of the Code shall be required, pursuant to the provisions of Section 4 of Schedule E of the Code, to use in determining the delivered price of such product at such port in Alaska shall be the lowest published ocean or rail-and-ocean freight charges, as the case may be, that would be applicable on the shipment of such product from the basing point on which the base price therefor is based to such port in Alaska; *provided, however*, that, if there shall not then be any published ocean or rail-and-ocean freight charges, as the case may be, on such product from such basing point to such port, then such member of the Code may sell such product for delivery to such purchaser f. o. b. dock at any Pacific Coast port to which there is a published ocean or rail-and-ocean freight charge, as the case may be, on such product from such basing point and the shipment of such product from such Pacific Coast port to such purchaser at such port in Alaska shall be at his risk and expense.

12. In the case of a sale by any member of the Code of any product for delivery at any port in Alaska, if a Pacific Coast port is named in Schedule F of the Code as a basing point for such product, the delivered price at such port in Alaska which (except as otherwise provided in Section 3 of Schedule E of the Code) such member of the Code shall quote and bill for such product shall be not less than the sum of (1) the lowest published base price (plus any extras required to be added thereto or less any deductions permitted to be made therefrom under Section 6 of Schedule E of the Code) of such member for such product effective at the time of and for the sale thereof at any Pacific Coast port which is a basing point for such product and (2) the lowest published ocean or rail-and-ocean freight charges, as the case may be, that would be applicable on the shipment of such product from such basing point to such port in Alaska; *provided, however*, that, if such freight charges shall be unreasonably high, or if there shall not then be in effect any published ocean or rail-and-ocean freight charges, as the case may be, on such product from such basing point to such port in Alaska, then such member of the Code may sell such product for delivery to such purchaser f. o. b. dock at such basing point and the shipment of such product from such basing point to such purchaser at such port in Alaska shall be at his risk and expense.

13. For the purpose of determining under any provision of these Regulations the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, that would be applicable on the shipment of any product from any basing point for such product to any place of delivery such freight charges shall be deemed to be the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, from such basing point to such place of delivery applicable to the quantity of such product shipped at one time and in effect at the time of the shipment thereof; *provided, however*, that, in the case of a sale by a member of the Code at one time of any quantity of any product for use in the construction of an identified structure, such freight charges shall be deemed to be the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, from such basing point to the place of delivery thereof applicable to such quantity of such product and in effect at the time of such sale; and *provided, further*, that in case any member of the Code shall sell or contract to sell a carload or more of various products for shipment in mixed carload lots, whether the respective base prices for such products be based on the same or different basing points, such freight charges shall be deemed to be the lowest published ocean or rail-and-ocean or rail-ocean-and-rail carload freight charges per gross ton, per net ton or per hundred pounds, as the case may be, applicable to the respective quantities of such products so sold from the basing point or basing points on which the respective base prices of such products are based to the place of delivery thereof.

Except as otherwise provided in paragraph 3 of these Regulations, for the purpose of determining the lowest delivered price for any product that shall be sold by any member of the Code for delivery at any place of delivery pursuant to any provision of these Regulations, if the tariff book entitled "Freight Tariff No. 1, American Iron and Steel Institute" issued under date of November 15, 1933, or any revision or amendment thereof, as at the time in effect, shall show ocean or rail-and-ocean or rail-ocean-and-rail freight charges that would be applicable on the shipment of such product to the place of delivery thereof from any basing point or basing points therefor, such delivered price for such product at such place of delivery shall be computed on the basis of the published base price of such member for such product effective at the time of and for the sale thereof at a basing point therefor from which such ocean or rail-and-ocean or rail-ocean-and-rail freight charges on such product to such place of delivery shall be shown in such Freight Tariff No. 1, or any such revision or amendment thereof, and of such ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be. If the freight charges shown in such Freight Tariff No. 1, or any such revision or amendment thereof, for the transportation of any product by ocean or rail-and-ocean transportation from any basing point for such product to any port shall include track delivery of such product within the switching limits of such port, such freight charges shall also be deemed to be the lowest published freight charges for such transportation of such product and delivery thereof f. o. b. dock or f. o. b. cars dock at such port; *provided, however*, that, if such Freight Tariff No. 1, or any such revision or amendment thereof, shall also show the freight charges for such transportation of such product and delivery thereof f. o. b. cars dock at such port, such freight charges shall be deemed to be the lowest published freight charges for such transportation of such product and delivery thereof f. o. b. cars dock at such port or f. o. b. dock at such port. If such Freight Tariff No. 1 shall show ocean or rail-and-ocean or rail-ocean-and-rail freight charges that would be applicable on the shipment of any product to the place of delivery thereof from the Pacific Coast port named in Schedule F of the Code as a basing point for such product that is nearest in terms of all-rail published tariff freight charges to such place of delivery, then, for the purpose of determining the amount of any reduction in the delivered price of such product permitted under the provisions of paragraph 3 of these Regulations, such freight charges shall be deemed to be the lowest published ocean or rail-and-ocean or rail-ocean-and-rail freight charges, as the case may be, that would be applicable on the shipment of such product from such basing point to such place of delivery.

14. For all purposes of these Regulations any place in the Pacific Coast states to which published tariff ocean transportation charges on any product from Atlantic Coast ports shall apply and to which ocean or rail-and-ocean freight charges on such product from any basing point for such product shall be shown in said Freight Tariff No. 1 shall be deemed to be a Pacific Coast port.

15. In any case in which any purchaser shall purchase from any member of the Code steel billets in an amount of 1,000 gross tons or more and shall require that such billets be delivered by water or rail-and-water transportation in a lot or lots of 1,000 gross tons or more f. o. b. barge or vessel alongside the dock of such purchaser at South Portland, Maine, such member of the Code may allow a reduction in the delivered price of such billets otherwise chargeable under Section 4 of Schedule E of the Code in an amount which shall not exceed \$2.00 per gross ton of such billets so delivered.

Prescribed by the Board of Directors on June 14, 1934, effective June 21, 1934.

EXHIBIT No. 2209

Freight Tariff No. 2-C—American Iron and Steel Institute

CONNECTICUT

To—	Quantity	From—																															
		Chicago, Gary	Anderson	Canton	Cleveland	Detroit	Lorain	Massillon	Milwaukee	Muncie	Portsmouth	St. Louis, Granite City	Shelby	Waukegan	Wilton	Youngstown	Pittsburgh	Butte	Bethlehem	Coatesville	Danville	Jersey City	Johnstown	Lebanon	Milton	Philadelphia	Sparrows Pt.	Steelton	Syracuse	Trenton	Williamsport	Worcester	
Abington.....	CL	54	52	45	44	45	44	45	54	51	51	61	46	54	43	43	43	37	28	30	33	24	40	32	34	28	33	33	30	26	35	12	
Andover.....	LCL	68	66	56	54	57	56	56	68	64	64	50	59	45	53	42	43	36	26	28	32	34	30	30	32	26	32	31	29	35	44	18	
Ansania.....	LCL	53	51	43	43	43	43	43	53	41	50	50	45	53	42	43	42	36	26	28	32	30	30	32	26	32	31	29	25	34	14		
Avon.....	LCL	67	64	53	51	55	54	53	67	62	61	75	54	67	52	40	42	35	24	26	28	21	36	28	29	21	30	29	28	23	31	21	
Avon.....	CL	52	50	43	42	43	42	43	52	48	48	58	44	62	41	42	41	34	25	28	30	23	37	27	47	37	38	33	39	38	37	30	40
Baltic.....	LCL	67	64	53	51	55	54	53	67	62	61	75	54	67	54	51	44	34	25	28	30	23	30	31	26	31	31	31	26	24	32	18	
Baltic.....	CL	54	52	45	43	45	43	45	54	51	51	61	46	54	43	43	36	28	29	33	34	40	31	40	31	30	33	33	30	36	72	41	
Bantam.....	LCL	68	66	56	54	57	56	56	68	64	64	77	56	68	57	54	56	47	36	38	41	51	40	42	37	42	41	39	34	44	21	24	
Bantam.....	CL	53	51	43	43	44	43	43	53	51	48	59	45	53	40	42	40	36	25	27	29	22	37	28	30	25	31	30	29	24	31	24	
Beacon Falls.....	CL	53	51	43	42	44	42	43	52	50	48	59	44	53	40	42	40	35	24	26	28	21	36	28	29	24	30	29	28	23	31	22	
Berlin.....	LCL	67	64	53	51	55	54	53	67	62	61	75	54	67	52	40	42	35	24	26	28	21	36	28	29	24	30	29	28	23	31	22	
Berlin.....	CL	53	50	43	42	43	42	43	52	50	48	58	44	53	41	42	41	35	23	26	30	22	37	29	30	33	33	38	37	30	40	29	
Bethel.....	LCL	67	64	53	51	55	54	53	67	62	61	75	54	67	54	51	44	35	33	35	39	39	48	37	39	34	39	39	36	31	41	25	
Bethel.....	CL	53	51	42	42	41	42	42	52	50	48	59	45	53	40	42	40	35	23	23	37	18	35	25	25	29	24	28	21	30	23	30	
Bloomfield.....	LCL	67	64	53	51	55	54	53	67	62	61	75	54	67	51	49	46	31	33	36	21	44	35	37	31	38	37	37	29	38	30	33	
Bloomfield.....	CL	53	50	43	42	44	42	43	52	50	50	59	44	53	41	42	41	35	26	28	29	23	39	29	31	26	31	31	27	24	32	18	
Bolton.....	LCL	53	51	43	45	43	41	43	51	53	51	59	45	53	42	43	42	36	26	28	32	24	40	30	32	26	32	31	29	25	34	15	
Branchville.....	LCL	53	51	42	42	44	42	42	52	50	48	59	45	53	40	42	40	35	23	25	27	18	35	26	28	25	29	28	28	21	30	23	
Branchville.....	LCL	53	51	42	42	44	42	42	52	50	48	59	45	53	40	42	40	35	23	25	27	18	35	26	28	25	29	28	21	30	23		
Canford.....	CL	54	51	44	43	45	43	41	53	51	50	61	45	54	42	43	41	36	24	26	28	30	21	37	28	30	25	30	30	29	23	32	21
Canford.....	LCL	67	64	53	51	55	54	53	67	62	61	75	54	67	54	51	46	32	34	38	29	48	37	39	33	39	38	38	30	41	28	22	
Bridgeport.....	CL	53	51	43	43	44	42	43	53	50	48	59	45	53	40	42	40	35	23	24	28	18	36	26	29	29	31	31	28	21	30	22	
Bridgeport.....	LCL	67	64	53	51	55	54	53	67	62	61	75	54	67	50	50	46	30	32	37	28	37	46	35	38	31	37	37	28	28	29	22	

Bristol.....	COL	52	50	43	42	43	42	43	42	43	52	50	48	58	44	52	41	42	41	35	25	26	30	30	25	30	30	27	23	31	19
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	44	33	35	34	39	30	36	39	36	31	40	26
Broad Brook.....	COL	53	50	43	42	44	42	43	42	43	52	50	50	59	44	53	42	42	35	26	28	31	32	32	30	32	31	27	25	33	17
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	35	37	40	40	40	40	40	40	40	40	40	40
Brookfield.....	COL	52	50	43	42	43	42	43	42	43	52	50	48	58	44	52	40	41	34	23	25	28	29	28	26	22	30	23	30	23	24
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	34	33	37	37	38	33	34	31	39	30	30	30
Buckland.....	COL	53	51	44	42	44	42	44	42	44	52	50	59	44	53	42	42	42	35	32	31	32	32	32	32	32	31	28	25	33	17
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	35	37	40	40	40	40	40	40	40	40	40	40
Burlington.....	COL	52	50	43	42	43	42	43	42	43	52	48	48	58	44	52	41	42	34	25	28	30	30	30	30	30	26	31	24	31	19
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	34	36	38	38	38	38	38	38	38	38	38	38
Burnside.....	COL	53	51	44	42	44	42	44	42	44	52	50	50	59	44	53	42	42	35	26	28	31	31	31	31	31	31	28	25	33	17
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	35	37	40	40	40	40	40	40	40	40	40	40
Canaan.....	COL	51	48	42	40	42	40	42	40	42	50	47	46	57	42	51	40	40	32	28	28	28	28	28	28	28	28	28	28	28	28
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	32	36	37	37	38	38	38	38	38	38	38	38
Cannondale.....	COL	53	51	42	42	44	42	44	42	44	52	50	48	59	45	53	40	42	35	23	25	27	18	35	25	28	29	28	21	30	23
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	35	37	38	41	34	51	40	42	41	39	35	44
Canterbury.....	COL	54	52	45	44	45	44	45	44	45	54	51	51	61	46	54	43	43	36	28	30	33	25	40	31	34	28	33	30	26	35
	LOL	68	66	56	54	57	56	56	56	56	68	64	64	77	56	68	57	54	55	47	37	38	41	34	51	40	42	41	39	35	44
Central Village.....	COL	53	51	43	42	44	42	43	42	43	53	50	52	59	45	53	41	42	35	25	26	30	21	37	28	30	25	30	28	23	32
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	36	33	35	38	28	48	37	39	34	39	37	31
Cheshire.....	COL	54	51	44	43	45	43	44	43	45	53	51	50	61	45	54	41	43	42	36	26	28	31	23	39	30	32	26	31	29	24
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	36	34	36	39	30	48	38	40	34	40	39	38
Chester.....	COL	54	51	44	43	45	43	44	43	45	53	51	50	61	45	54	41	43	42	36	26	28	31	23	39	30	32	26	31	29	24
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	36	34	36	39	30	48	38	40	34	40	39	38
Clinton.....	COL	54	51	44	43	45	43	44	43	45	53	51	50	61	45	54	41	43	42	36	25	28	30	23	39	31	25	31	30	29	24
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	36	34	36	39	30	48	38	40	34	40	39	38
Cobalt.....	COL	53	51	44	43	44	43	44	43	44	53	51	50	59	45	53	42	42	36	26	28	31	23	39	30	32	26	31	29	24	33
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	36	34	36	39	30	48	38	40	34	40	39	38
Colchester.....	COL	53	51	44	43	44	43	44	43	44	53	51	50	59	45	53	42	42	36	26	28	31	23	40	30	32	26	31	29	25	33
	LOL	68	66	56	54	57	56	56	56	56	68	64	64	77	56	68	55	54	53	46	35	37	40	31	49	38	41	35	40	38	33
Collinsville.....	COL	52	50	43	42	43	42	43	42	43	52	48	48	58	44	52	41	42	35	28	30	33	25	40	31	34	28	30	26	21	31
	LOL	67	64	53	51	55	54	53	52	53	67	62	61	75	54	67	54	51	42	34	36	38	30	48	38	40	34	40	39	35	32

Effective August 31, 1939

EXHIBIT No. 2210

GOVERNMENT TONNAGE RECORD, FIRST QUARTER, 1939

Bid and Award Record, U. S. Government Purchases, 1939

COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
12/9	Navy-Norf	13-726	N-181-S-36430	11,050#	\$286.19	C. B's	56,100#	\$1,204.20	Bethlehem	12/29 Delivery.
12/19	Navy-Wash	504				Rails	1,390#	99.66	Bethlehem	12/29 By Lot-Tie Bids.
12/19	Navy-Wash	36-686				Alloy Bars	10,000#	2,363.00	Carpenter Steel	12/29 By Lot-Tie Bids.
12/27	Navy-Wash	479 NSA				Stainless Billets				12/21 Lower Price.
12/9	War-Engs	616-39-38		7,514#	250.97	Tie Plates				12/29 By Lot-Tie Bids.
12/6	Navy-Wash	436 NSA	N-171-S-44918	45,594#	1,226.48	Shapes	215#	98.90	Republic Steel Co.	12/29 By Lot-Tie Bids.
11/14	Navy-Norf	13-487				Cor. Res. Plates	6,000#	200.76	Hall Hodges	12/23 Lower Price.
12/12	Navy-Norf	13-592				Angles				12/20 Lower Price.
12/29	Navy-Wash	506 NSA	N-171-S-44934	6,590#	208.90	Tie Plates				12/20 Lower Price.
"	"	"	"	5,000#	195.00	Gauge Rods				"
"	"	"	"			Spec Tr Wk	11,000#	1,136.35	W. Va. Rail Co.	12/20 "
"	"	"	"			"	7,000#	704.70	Pettibone M Co.	12/20 "
"	"	"	"			"	3,500#	419.50	Bethlehem	12/20 "
"	"	"	"			Spl Bars	4,000#	193.35	"	12/20 "
"	"	"	"			Tr Bolts &	2,000#	76.60	Ames	12/20 "
12/19	Navy-Norf	418				Spikes	28,840#	850.21	Hall Hodges	12/30 Lower Price.
12/19	Navy-Norf	420				Plates	9,000#	239.22	Hall Hodges	12/30 Lower Price.
12/19	Navy-Norf	13-621				Sheets	15,840#	448.28	Hall Hodges	12/30 Lower Price.
12/29	Navy-Pro v. Ground	51	N-178-S-2091	74,000#	2,460.00	Angles & I-Beam Armor				1/3 Lower Price.
11/30	Navy-Norf	13-674				Sheets	1,250#	93.41	Morris Wheeler	12/13 Lower Price.
11/30	Navy-Norf	13-485				Channels	2,250#	79.43	Morris Wheeler	12/13 Lower Price.
11/29	Navy-Norf	486				Cor. Res Sheets	9,685#	4,367.00	Crucible	12/8 Lower Price.
11/29	Navy-Norf	481				Bars and Strip	3T	206.00	Morris Wheeler	12/12 Lowest Bid.
1/9	Navy-Wash	524				(Stainless) S. T. Billets	3,500#	738.68	Allegheny-Ludlum	1/9 By Lot-Tie Bids.
12/15	Navy-Wash	36-435				Stain S. Bars	350#	129.08	Rustless	1/9 By Lot-Tie Bids.
12/15	Navy-Norf	P.W.A. 48				RR Cross	20,100#	796.00	Dehuff & Hopkins	1/5 Lower Price.
12/28	Navy-Norf	13-787				Hull Plates	7,644#	435.56	Hall Hodges	1/9 Lower Price.
12/23	Navy-Norf	503				Sheets	11T	754.69	Morris Wheeler	1/9 Lower Price.
12/20	Navy-Norf	408				Hull Plates	25T	2,181.19	Hall Hodges	1/9 Lower Price.

1/4	Navy S & A	500-785	NOs-64667	1,537,740#	234,544.03	Sp. Treat. Plates			1/8 Only Bidder.
1/4	Navy S & A	500-784	N-08-64666	4,585,452#	677,175.26	Sp. Treat. Plates			1/8 Only Bidder.
12/19	Navy-Norl	13-817				Plates	714 T	735.72	1/9 By Lot—Tie Bids.
12/20	Navy-Norl	410				Sheets	26 T	1,559.74	1/9 Lower Price.
11/25	Navy-Norl	13-635				Plates	2,500#	1,374.50	1/11 Lower Price.
12/30	Navy-Norl	13-805				Plates	9,240#	272.40	1/10 Lower Price.
12/29	Navy-Norl	13-686				Plates	5,000#	270.40	1/10 Lower Price.
12/30	Navy-Norl	13-803				Sheets	80 T	3,556.00	1/11 Lower Price.
1/15	Navy	6253				Plates			
1/15	Navy	5233				Plates	18 T	898.44	1/11 Delivery.
1/10	S & A	5148				Propeller shaft	25,100#	1,730.00	1/13 Lower Price.
12/15	Navy-Norl	1939	NSAF	23,100#	615.66	Rails			
"	"	"	"	1,710#	123.34	Joints			
"	"	"	"	40#	20.60	Boots & Nuts			
"	"	"	"	210#	19.00	Clips			
1/4	Naval Acad-emy	2038-119FWA	N-101-S 14202	3,533#		Angle Bars			
			14,868#	8,400#	Track Sp.	Tie Plates			
				600#	Material	Boots & Nuts			
				58#	\$595.22	Washers			
				35#		Clips			
				42#		Boots & Nuts			
				69,540#	Lorain Mus.				
1/5	Navy-Norl	17-766			2,430.25	Heat Tr. Bars	2,000#	138.00	1/13 By Lot.
1/4	Navy-Norl	13-757				Steel Bars	800#	204.00	1/13 By Lot.
1/5	Navy-Charles-ton	522				Plates, Sheets & Strip	345,000#	8,659.50	1/13 Lower Price.
1/6	Navy-Norl	13-829				Angles	5 T	452.50	1/16 Lower Price.
1/10	Navy	5234				Tin Plate			1/18 By Lot.
1/6	Navy-Norl	54 PW A	166-04736	1 T	126.24	Terne	27 T	4,152.96	1/6 Lower Price.
1/4	Navy-Norl	13-756				Track Work	4,900#	1,155.00	1/15 Lower Price.
1/4	Navy-Norl	13-758				Sheets	5 T	270.00	1/16 Lower Price.
1/4	Navy-Norl	"				Plates	5 T	351.50	1/17 Lower Price.
12/27/38	Navy S & A	S-5208	Telegraphic			Plates	33 T	2,352.67	1/16 Lower Price.
1/16	Navy S & A	S-5277				Cor. Res. Sheets	30,851.60	30,851.60	1/13 Lowest Complete Bid.
1/15	Navy C & R	36-768				Bars	3,000#	129.40	1/13 By Lot.
1/17	Navy-Wash.	52				Stain. St. Bars	5,219#	378.42	1/23 By Lot.
1/23	Navy-Wash.	36-778				Plates	5,000#	139.50	1/26 Lower Price.
12/20	Navy-Ord	5081				Plates	133 T	21,565.20	1/19 Specifications.

1 [Hand written.]
2 [Italic indicates matter crossed out.]

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
1/20	Navy	5256				Stain. S. Bars	3 T	\$4,429.41	Timken	1/31 Lower Price.
						"	4 T	617.97	Republic	" By Lot.
						"	1 T	2,889.07	Jessop	" " "
						Plates	6 T	1,822.28	Midvale	" " "
1/5	Navy—Nof.	5233				"	80 T	3,856.00	Central I. & S.	1/11 " Delivery.
						"	18 T	886.44	Bethlehem	"
						(Carnegie-Illinois did not submit bid)				"
						Angles	2 T	924.00	Jones & Laughlin	" Lower Price.
						Plates	7 T	571.64	Amer. Pressed St.	1/22 Lower Price.
1/17	Navy—S & A.	5242				"	3 T	268.77	Central I & S	" " "
						"	1,258 1/2 T	67,543.65	Alan Wood	" " "
						"	23 T	2,477.22	Enterprise Galv.	" " "
						"	11 T	1,291.08	Jos. P. Cattie	" " "
						"	10 T	1,020.24	Thos. Gregory	" " "
1/20	Navy—S & A.	5274 C & R	N Os-64945	246#	\$137.66	Stainless Angles	25 040#	11,833.12	Amer. R. M. Co.	1/30 By Lot.
	"	"	"			Stainless Sheets	6,960#	3,149.40	Allegheny-Ludlum	" " "
	"	"	"			Stainless Sheets	13,595#	5,659.74	Republic Steel C	" " "
	"	"	"			Stainless Plates	1,500#	5,620.66	Crucible Steel Co.	" " "
1/24	Navy	5316	N Os-65001	477 T	36,637.85	Bars		(50) 10,683.64	Bethlehem	2/7 Lower Price.
	"	"	"			"	7 T	(9)	Timken	" " "
	"	"	"			"		(12)	Sharon	" " "
1/24	Navy—S & A.	5326	"			Bars	185 T	10,309.48	Republic	2/10 Lower Price.
	"	"	"			"	91 T	5,571.39	Sheffield	" " "
2/4	Navy—S & A.	5435	"			Bars	36,400#	5,199.45	Disston & Son	2/10 Lower Price.
1/21	Navy—Wash	5366	"			Plates	908 T	47,306.80	Alan Wood	2/9 Lower Price.
	"	"	"			"	315 T	14,899.50	Central	" " "
	"	"	"			Plates & Sheets	105 T	5,406.50	Worth	" " "
	"	"	"			Plates & Sheets	115 T	5,324.50	Central	" " "
2/14	Navy—C & R	5465	"			Nickel S. Bars	200 T	18,440.00	Timken	2/15 By Lot.
2/3	Navy	5353	"			Shapes	558 T	36,459.86	Jones & Laughlin	" " "
	"	5338	"			Sheets	162 T	12,488.26	Reeves S & Mfg Co.	2/13 Lowest Complete Bid.
	"	"	"			"	893 T	63,466.09	Sheet Metal	2/7 Lower Price.
1/27	"	"	"			"	52 T	2,850.04	Inland Steel	" " "
	"	"	"			"	28 T	1,537.36	Central I & S	" " "
	"	"	"			"	3 T	315.52	Republic Steel	" " "

2/15	"	500-827	NOS-65365 not down, sent direct to Pitts- burgh to R. B. C.	6, 600 T	1,343,010.00	Sp. Tr. Pl.				2/23 Only Bidder.
2/8	Navy—Ord	213		9, 170 T*	6,064,415.00	Armor.	*12, 169 T	77, 627, 243. 00	*Midvale Co	2/16 Lower Price.
2/28	Navy—C & R	NOP-1114				"	*15, 411 T	10, 062, 050. 00	*Bethlehem S. Co	" "
2/17	Navy—S & A	5507		4, 332#	L 615. 37	Track Spks	10 T	628. 00	W Aues & Co	3/10 Lower Price
"	"	"	NOS-65495			Stainless S.				3/1 By Lot Tie Bids.
"	"	"				Sheets	22 048#	8, 664. 15	Allegheny-Lundlum	" Lower Price
2/14	Navy—S & A	5452				Stainless Sheets	L 824#	916. 48	Allegheny-Lundlum	" By Lot Tie Bids.
3/9	Navy—S & A	900-2380	65663	1, 386 T	66, 480. 00	Rounds	41 T	5, 894. 14	Bliss & Laughlin.	3/17 Lower Price
"	"	"				Shapes				3/11 By Lot Tie Bids.
"	"	"				Shapes	108 T	4, 730. 00	Penn. Galv. Co	" " "
3/2	Navy—S & A	5680	65560	585 T	28, 108. 80	Shapes	13 T	550. 00	Ross Galv. Wks.	" " "
3/2	Navy—S & A	5681	65563	6, 225 T	350,030.00	Shapes	193 T	6, 472. 30	Ross Galv. Wks	3/3 By Lot Tie Bids.
"	"	"				Plates	325 T	49, 000. 00	Ross Galv. Wks	" Lower Price.
"	"	"				Plates	625 T	56, 300. 00	Penn Galv. Co	3/3 Lower Price.
3/2	Navy—S & A	5682	65592	100 T	5, 290. 00	Bars				" By Lot Tie Bids.
"	"	"				Stainless S.	100 T	4, 860. 00	Ross Galv. Wks.	" Lower Price.
3/14	Navy S & A	5748.	NOS-65907	42, 128#	19, 327. 95	Sheets				3/24 By Lot Tie Bids.
3/15	Navy S & A	Ord. 500-648	NOS-65355	82, 244#	59, 215. 68	Spec. Tr. Plates	147, 000#	4, 506. 34	Worth Steel Co.	3/21 Only Bidder.
2/28	Navy S & A	5578.				Plates	67, 785#	1, 732. 02	Alan Wood Steel C	3/21 Lower Price.
"	"	"				"				" "

Consider end of first quarter.

COMPANY: AMERICAN STEEL & WIRE COMPANY

	64478	10 T	\$2,954.60	Rope & Str				12/23 Lower Price.
11/1 Navy S&A	4623 "	"	"	Rope	63 T	\$23,675.60	Wire Rope Corp.	"
" "	"	"	"	Rope	118 T	19,428	E. W. Walker	"
" "	"	"	"	Rope	42 T	29,317.10	Union Wire Rps	"
" "	"	"	"	Rope	3,236#	1,608.20	Amer. Ch. & Cable	"
12/22 Navy-Wash	36-669	"	"	Strand	3,300'	"	Elec. Ind. Equip.	12/30 Lower Price.
12/1 Navy-Nort	485 NSAF	"	"	Cable	3,100'	3,789.14	Roeblings' Sons	12/30 Lower Price.
G. P. O	2331	"	"	Splicing	15 P	63.90	E. H. Walker	12/30 By Lot Tie Bids.
11/9 G. P. O	6174-39-17	"	"	B'k'h Wire	1,450'	75.40	L. Bailey	12/30 Lower Price.
12/16 War	"	"	"	Cable	1,770'	70.80	Shell Elec. Sup	"
G. P. O	63151	"	"	Wire	1,000#	145.30	E. H. Walker	12/30 Lower Price.
12/9 Navy-Wash	36 NSA 692	"	"	Rope	165#	35.32	Wire Rope Corp.	12/30 Lower Price.
12/27 Govt. D. C	"	"	"	Rope	630#	101.00	Rochester Ropes	12/30 Lower Price.
11/10 Govt. D. C	"	"	"	Cable	675'	140.94	G. E. Supply	12/8 Lower Price.

[Italic indicates matter crossed out.]

*Note, in connection with above Armor bid, Carnegie-Illinois only bid on 13,767 T. therefore their Lost Tonnage should be recorded as 4,597 T. (\$2,793,283.00), and not the entire amount awarded to Midvale and Bethlehem. Division is as follows: Midvale 1,341 T.—\$764,863.00 and Bethlehem 3,256 T.—\$2,028,420.00.

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: AMERICAN STEEL & WIRE COMPANY—Continued

Open- ing date	Department of Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
letter	Interior	letter		1,400'	\$97.16	Cable				12/22 Only Bidder.
12/22	Interior	" 12/21		500'	35.40	Cable				12/31 Only Bidder.
12/19	Interior	" 12/14		300'	23.01	Cable				12/14 Only Bidder.
12/19	Navy-Norl	4-2102-S				Netting	5,000 S'	\$69.00	Roebblings' Sons	1/3 Lower Price.
12/20	Navy-Norl	4-2210				Rope	3,660#	660.00	Wire Rope C of A	1/4 Lower Price.
12/22	Navy-Norl	13-658				Cold Fin. Birs.	2,000#	87.80	Hall-Hodges	12/30 Lowest complete bid.
12/13	Treas.	Eng. & Prim'g.				Wire	1,200#	40.56	Wickwire-Spencer	1/5 Discount.
11/16	Navy-Norl	364				Cable	2,800'	910.00	Crescent Ins.	12/30 Lower Price.
12/22	Navy-Norl	13-774				Cable	360'	52.56	Anaconda	1/3 Lower Price.
12/23	Navy-Norl	13-598				Rope	150#	48.00	R. W. Hudgins	1/3 Lower Price.
12/19	Navy-Norl	432				Cable	2,000'	1,136.00	Goodman Elec Sup.	12/28 Lower Price.
12/20	Treas-Proe	5010				Cable	5,500'	77.55	Elec. Ind. Equip.	1/6 Lower Price.
12/23	Treas-Proe	5024				Cable	5,000'	51.00	Amer. Elec. Sup.	1/6 Lower Price.
12/12	Navy-Norl	13-580				Strand	833#	380.10	Roebbling	1/5 Lower Price.
12/19	"	"				Wire	1,000#	18.50	Roebbling	" "
12/21	Treas-Proe	16867				Rope	25#	43.40	Phosphor-Bronze	1/7 Lower Price.
12/28	Navy-Norl	36-590				Clips	400 Clips	334.00	Amer. Hoist & Def.	1/9 Lower Price.
12/28	Navy-Norl	459				Rope	3,495#	696.00	Wire Rope C of A	1/9 Lower Price.
letter	Navy-Norl					Rope	5 T	1,732.47	S. Weinstein	1/9 Lower Price.
12/30	Interior	13-672		500'	33.00	Kinnison C.				1/5 Only Bidder.
12/20	Navy	5021		14,650#	560.00	Wire	264#	78.00	R. W. Hudgins	1/11 Lower Price.
	"	"				Nails	1,000#	46.50	R. W. Hudgins	" "
	"	"				"	1,100#	50.00	Larkin	" "
	"	"				"	156 T	9,900.00	Wickwire	" "
	"	"				"	10 T	700.00	Keystone	" "
	"	"				"	32 T	1,625.00	Baker, Hamilton & Pacific	" "
12/23	Naval Acad-emy	2500				Cable	500'	14.00	Elec. Industrial Equip & Sup Co.	1/10 Lower Price.
12/23	Naval Acad-emy	2502				Cable	1,450'	1,723.00	Lee Elec. Co.	1/3 Lower Price.
1/5	Navy-Norl	13-837				Soft Blk Wire	5,000#	220.00	Hudgins & Son	1/13 Lower Price.
1/5	Navy-Norl	13-836				Rope	1,746#	390.00	Wire Rope C of A	1/13 Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: AMERICAN STEEL & WIRE COMPANY—Continued

Opert- Ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
1/31	Marine Corps.	1068-451				Cable.	4,000'	\$30.40	Factory & Yd Sup	2/6 Lower Price.
1/26	Navy-Wash.	576-NSA				Wire	191#	43.99	E. Coast Elec	2/6 "
12/23	Navy-Wash.	36-NSA 28Q				Cable	1,400'	245.00	Amer. Elec.	2/7 Lower Price.
2/2	Navy-Wash.	36-NSA 314				Music Wire	84	10.16	Roehling	2/7 Lower Price.
1/31	War-Engrs.	R-5537-Inv.				Elev. Rope.	199#	38.00	Hudson Sup & Eq	2/7 Lower Price.
1/24	Navy-S&A	977-39-56				Rope	3,895#	513.50	Wire Rope C of A	2/7 Lower Price.
		5316				Cold R. Bars	105 T	6,889.79	Keystone	1/30 Lower Price)
1/30	Marine Corps.	433-1401				Gray Wire.	592#	2,138.87	Empire	1/30 Lower Price)
	"	"				Wire	7#	\$41.00	D E Sup Corp.	2/6 Lower Price.
	"	"				Cable	300'	1.44	Elec Ind & Eq Co	2/6 "
	"	"				Wire	10,500'	4.50	Mohawk	2/6 "
	"	"				Binding Tape	-1,212#	161.50	Amer Auto Elec S	2/6 "
2/2	Engr & Ptg		T-3095	6,378#	\$620.58	Cable	5,500'	91.31	Hishirshaw	2/6 By Lot.
1/9	War-Q.M.	6141-39-53				Wire	1,600'	4,119.75	Roehling	2/10 Delivery.
1/31	Navy-Norl.	13-983-NSA				Wire	1 T	905.60	H. Walke Co.	2/10 Delivery.
1/23	Navy-Norl.	E-17686				Wire	5 T	109.00	Ice Bros	2/9 By Lot.
1/26	Engr & Ptg	13-937				Flow S Rope	1,530#	475.00	Hudgins & Son	2/10 Discount
2/6	Navy-Wash.	36-NSA-520				Iron Wire	1,500#	414.00	Roehling & Son	2/9 Lower Price.
1/16	Navy-Norl.	569				Magnet Wire	1#	26.28	G. E. Corp.	2/12 By Lot.
2/2	Navy-Norl.	13-1062 NSA F				Welding Rods	500#	613.50	Acres Corp.	2/14 Lower Price.
						Wire	100#	21.20	Roehlings Sons	1/25 Lower Price. Rec'd 2/4.
2/2	Navy-Norl.	13-1043				Wire Rope	1,800#	357.50	H. Walke Co.	2/13 Lower Price.
1/26	Naval Acad.	2857-S				Cable	500'	138.25	Lee Elec Co.	2/14 Lower Price.
2/8	Treas-Froc.	5240-S-2-8-39				Cable	7,500'	76.12	Charnel, Nugent & Kramer	2/13 Lower Price.
1/27	Navy	5368				Poultry N	7,410#	469.00	G. F. Wright	2/13 Lower Price.
2/1	Naval Acad.	121-39 NSA				Rope	3,564#	9.18.00	Amer. Chan & C	2/14 By Lot.
1/26	Naval Acad.	134-3045				Cable	5,000'	1,325.00	Elec. Ind Equip	2/14 Lower Price.
1/24	Navy-Norl.	594 NSA F				Rope	3,660#	840.00	Hudgins & Son	2/15 Lower Price.
1/24	Navy-Norl.	13-372 NSA F				Cable	100'	35.90	Roehlings Sons	2/15 Lower Price.
2/6	War	66416				Elev. Cable	200'	27.40	Doubleday-Hill	2/16 Lower Price.
1/19	Engrs. Ft. Bel. voir.					Spring Wire	3,500#	206.15	Seneca W & Mfg.	2/16 Lower Price.
2/11	Treas-Froc.	900-2357	43515	25#	5.21	Bookbin. wire.				2/16 Only Bidder.
2/1	Navy		N Os-65298	6,720#	4,046.40	Min S. R				2/16 Only Bidder.

1/24	Navy	Powder Fac- tory		Trolley W	13, 528#	2, 383. 63	J Kennecott W & C	2/17 by Lot.
2/9	Interior	NSAF		Wire Rope	8, 642#	1, 589. 60	Broderick & Bas	2/18 Lower Price.
2/11	Interior	Natl Pk Ser		Kinnison Cable	170, 000'		Graybar	2/11 Only Bidder.
1/26	Govt. Eng	978-39-27	500'	Elec. Wire	476#	1, 468. 80	Bethlehem	2/10 Lower Price.
2/9	Govt. D. C			Rope		82. 80		2/20 Lower Price.
2/11	Treas-Pro.	43515	25#	Booklin, W				2/16 Only Bidder.
1/20	Commerce	29819		Sounding W	1, 944#	160. 26	Amer. Ch. & Cab	2/17 Lower Price.
1/20	Agriculture	4470		Cable	125, 000'	5, 712. 78	Nehring Elec. W	2/13 Lower Price.
				Cable	2, 400'	336. 60	Boston I W & C Co.	" Lower Price.
2/10	Navy	Academy- Annapolis		Wire	2, 000'	236. 00	Gaffney-Krouse	2/21 Lower Price.
		3775-124.						
1/31	Navy-Norf	538		Cable	7, 700'	2, 148. 77	Greene-Wolf Co	2/21 Lower Price.
1/31	Navy-Norf	551		Cable	300'	321. 00	Cranell - Nugent & Kraener.	2/21 Lower Price.
								" "
	Navy-Ord	S. Charleston, W. Va.	500'	Kinnison Cable	1, 000'	356. 80	Greene-Wolf Co.	2/21 Only Bidder.
2/13	Navy	Navy Acad. 23241-R 143	6, 807'	Cable				2/23 Lower Price.
		PW						
2/15	Treas-Pro.	5285		Cable	3, 500'	75. 81	Gold Seal	2/25 Lower Price.
2/17	Treas-Pro.	17471		Fencing	4, 480#	182. 56	Bethlehem Steel Co.	2/21 Lower Price.
2/13	Navy-Norf	605-S P M-4		Rope	468#	99. 60		2/27 Lower Price.
		3063-S						
2/9	Navy-Norf	590		Rope	750#	345. 00	Roebing's Sons	2/27 Lower Price.
2/20	Navy-Norf	610 NSAF		Cable	1, 500'	2, 878. 50	General Electric.	3/1 Lower Price.
2/21	Navy-Norf	642-S P M-4		Weather p r	2, 000#	334. 00	Atlantic Elec Co.	3/2 Lower Price.
		3300-S		Wire				
2/17	Navy-Norf	68 PWA		Guy Wire	546#	56. 00	Graybar Elec Co.	3/2 Lower Price.
2/17	Navy-Norf	13-1064		L & P Cable	1, 380'	152. 08	Graybar Elec Co.	3/2 Lower Price.
2/17	Navy-Wash	36-S NSA 69- R.	70#	Music Wire				2/28 Lower Price.
3/1	Treas-Pro.	5288		Cable	10, 000'	182. 50	Lowell Ins W Co	3/1 Lower Price.
2/24	Marine C	507-1580		Nails	2T	157. 60	Steel & Wire P Co	3/6 Lower Price.
2/24	Navy-Norf	13-1076 NSAF		Wire Rope	738#	33. 42	Amer. Ch & Cab. Co.	3/6 Lower Price.
				Copper W	100#	25. 02		" "
2/27	Navy-Norf	703 NSAF		Rope	9, 180#	1, 710. 00	Wire R. Corp. of A	3/6 Lower Price.
2/21	Navy	5502		Elec. Cable	1, 069, 150'	14, 216. 32	Garfield E & S Co.	3/3 Lower Price.
"	"	"		"	117, 900'	2, 301. 62	Elec I F & S Co.	" "
"	"	"		"	600'	335. 62	Amer. E Sup Co	" "
"	"	"		"	2, 500'	1, 250. 00	Cannel, N & K.	" Discount.
"	"	"		"	107, 000'	1, 318. 70	Collier	" Lower Price.
"	"	"		"	2, 160#	110. 87	Rosslyn S & C Co.	2/21 Lower Price.
2/10	Interior	Natl Pk Ser		Mesh				2/27 Lower Price.
1/27	Marine Cor	426	220#	Bale Ties		56. 83	General Elec Co.	3/7 By Lot - Tie Bids.
2/28	Navy-Norf	13-5101-NSAF		L & P Cable	300'			3/7 Lower Price.
2/27	Navy-Norf	13-1120-NSAF		L & P Cable	5, 000#	756. 50	Amer. Type F S	3/8 By Lot - Tie Bids.
2/15	G. P. O	66791	105'	Round Wire	9, 600#	382. 08	Keystone	3/9 Lower Price.
	Navy-Wash	36-880		Cold R Bars				

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: AMERICAN STEEL & WIRE COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
2/23 3/3	Govt D. C.		5255		\$272.00	Rope	1, 775#	\$310.50	Noland	2/28 Lower Price.
2/28	Navy-Annap- olis.	3574-152.		6, 720#		Mesh.	1, 810'	571.96	Okonite Co.	3/8 Lower Price. 3/10 Lower Price.
"	"	"	"			Splicing	8 Units	28.80	Greenfield E. Co.	" By Lot—Tie Bids.
3/2	Navy-Norfolk	13-131				Boards	2 H P	52.00	Graybar Elec Co.	" Lower Price.
2/28	Navy-Annap- olis.	3541-127.				Elec. Wire	1, 825#	363.00	R W Hudgins & S.	3/10 Lower Price.
2/28	Navy	5507				Nails	1, 500'	801.00	Okonite Co.	3/10 Lower Price.
"	"	"				Tacks	1, 942#	208.88	Atlas Tack Corp.	3/6 Lower Price.
2/24	Navy-Wash- Smithsonian	36-947				Rope	300#	60.75	Clendenin Bros.	" "
3/3	Govt. D. C.	39-725 Nat. Zoo Pk.		320#	45.84	Mesh.	2, 305#	683.48	Steel & W Prod.	" "
2/16	Navy-Lab. Bellevue.	47-39-NSAF				Fencing	1, 764#	280.10	Jones & Laughlin.	3/9 Lower Price. 3/6 Only Bidder.
letter	Interior	Geo. Survey				Cable	5, 136#	203.88	F P May Hdwe.	2/28 3/13 Lower Price.
2/28	Treas-Pro.	5350-S-25-19		300'	23.01	Kinnison Cable	24, 750'	5, 494.07	Imperial E Sup.	3/13 Lower Price.
2/27	Navy-Norfolk	698-185 NSA				L & P Wire	10, 000'	112.00	Amer. Elec Sup.	3/14 for 2/10—Only Bidder.
2/24	Navy-Norfolk	633-S P M-4				L & P Cable	3, 000'	346.00	Amer. Elec Sup.	3/13 Lower Price.
2/24	Navy-Norfolk	3243-S.				Cable	1, 200'	348.00	Westinghouse	3/13 Lower Price.
3/2	Navy-Norfolk	685				Tacks	1, 000#	284.00	Atlas Tack Corp.	3/13 Lower Price.
3/8	G. P. O.	723-S P M-4				Cable	1, 300'	310.64	Greene-Wolf	3/13 Lower Price.
2/9	Navy-Norfolk	68106		408#	47.04	Rope				3/13 By Lot Tie Bids.
3/7	Navy-Norfolk	13-1231				Spring Wire	400#	114.08	Roebblings' Sons.	3/14 By Lot Tie Bids.
3/3	Navy-Powder Factory, In- dian Head.	1-H NSA F				Rope	3, 136#	825.60	Rochester Ropes	3/15 Lower Price.
2/24	Navy-Wash.	36-S-NSA,				Strand	2, 730#	221.80	Roebblings' Sons.	3/15 By Lot Tie Bids.
2/23	Treas-Pro	79-U.				Cop. Wire	600#	99.24	"	" "
2/21	Navy-Wash.	5329-S.				Wire	500#	47.65	Roebblings' Sons.	3/17 Discount.
2/16	Navy-Wash.	36 NSA 908				L & P Wire	2, 500'	30.87	Elec. I & E. S. Co	3/17 Lower Price.
		36 NSA 906				Rope	465#	327.60	E D Giberson	3/17 By Lot Tie Bids.
						Rope	165#	42.00	Rochester Ropes	3/17 Lower Price.

2/28	Navy S & A.	5603				Mag. Wire	2, 150#	720.00	New Eng. Elec Wks.	3/16 Lower Price.
3/3	Navy S & A.	5541				Cable.	5,000'	1,238.25	Garfield Elec S C.	3/18 Lower Price.
3/17	G. P. O.	68648				B. B. Wire.	4,000'	860.00	Bishop W & C Co.	" "
3/14	Interior.	letter 3/14.				Kinnison Cable.	5,000#	756.50	E. H. Walker.	3/17 By Lot Tie Bids.
3/13	Engr & P'tg.					Boiler Room Wire.	1,000'	26.70	Rockbestos.	3/21 By Lot Tie Bids.
3/13	Navy-Wash.	36-S-N S A				Rope.				3/20 Lower Price.
3/14	Engr & P'tg.	54-L.				Copper Wire				3/20 Lower Price.
3/6	Treas-Pro.	5388-S				L & P Wire.	15,000'	108.00	Gold Seal Elec.	3/24 Lower Price.
2/23	Govt. D. C.	610'				Cable.	24,550'	1,528.05	Gold Seal Elec.	3/24 Lower Price.
2/23	Navy-Wash.	640 NSA				Kinnison Cable.		1,240.60	Collier I W & C	3/23 Lower Price.
letter	Interior.	letter 3/8.								3/8 Only Bidder.
3/8	Geological Sur-vey.					Flameproof Cable.	1,500'	68.90	Okonite	3/22 By Lot Tie Bids.
3/7	Navy-S&A.	5581				Flameproof Cable.	9,000'	311.30	Anaconda W & C	" " "
"	"	"				Cable.	10,600'	6,418.00	U. S. Rubber Co.	" " "
"	"	"				"	24,000'	11,676.95	Genl. Elec. Co.	" Lower Price.
"	"	"				"	20,000'	900.00	Boston I W & C	" By Lot Tie Bids.
"	"	"				"	70,000'	585.00	Baitinger E. Co.	" Lower Price.
"	"	"				"	20,000'	900.00	" "	" By Lot Tie Bids.
"	"	"				"	412,500'	29,525.00	Collier I W & C	" Lower Price.
"	"	"				"	540,000'	32,938.00	Doubladay-Hill.	" Lower Price.
"	"	"				"	5,600'	708.00	Habirshaw W & C	" By Lot Tie Bids.
"	"	"				"	20,000'	1,925.00	Noland Co.	" " "
"	"	"				"	4,100'	4,166.25	Simplex W & C	" " "
"	"	"				"	87,000'	886.00	Rome Cable Corp.	" " "
3/15	Navy-Norf.	13-5304				Cable.				Lower Price.
3/14	Justice.	N-181-S-37207				Parkway Cab				By Lot Tie Bids.
3/22	Navy-Wash.	1778				Rope.				Lower Price.
3/15	Navy-Norf.	JTC-7373				Wire rope.	1,272#	145.20	Noland Co.	3/22 Only Bidder.
2/20	Treas-Pro	36-S-6339				L & P Wire.	2,000'	17.90	Amer. Elec. Sup.	3/24 Lower Price.
"	"	17518-SP				Lamp Cord.	500'	6.00	"	3/24 " "
"	"					Telep. Wire	2,100'	19.95	"	3/24 " "
letter	Interior.					Kinnison Cable				3/20 Only Bidder.
3/20	Treas-Pro.	Geo. Sur. Let-ter.				Lamp Cord.	10,000'	64.60	Lowell Ins. W Co.	3/25 Lower price.
3/16	S-5476					L & P Wire.	35,000'	161.00	Lomar Elec. S C	" "
2/21	Treas-Pro.	17523-SP				Staples	200#	8.20	Nash Hdwe. Co.	3/24 " "
3/10	Agriculture.	USDA-4836				Bale Ties	5,100#	247.50		3/27 Freight Equalization.
3/23	Navy-Wash.	750 NSA				Fencing Materi-als.	23,936#	997.49	Keystone S & W	
						Elec. Cable.	35,000'	297.50	General Cable C	3/27 Lower Price.

1 [Hand written.]

Consider end of first quarter.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
UNITED STATES STEEL PRODUCTS COMPANY

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded US		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
1/6	Panama Can	R-25563 E6				Cable	3, 400'	\$902.10	Habirshaw	1/6 By Lot.
1/5	"	R-23613 T5				Reinf. Bars	4 T	200.00	Igoe	1/9 Lower Price.
12/21/38	"	3404	W-8226 8227	118, 920#	\$3, 207.86	Plates				12/28 Lower Price.
	"	"		30 T	1, 100.83	Nails				" " "
	"	"				Cold R. Bars	3, 300#	225.32	Empire	" " "
	"	"				Staircases				" By Lot
	"	"				S. T. Rounds	225#	102.11	Allegheny-Indalum	" " "
	"	"				Staircases				" " "
	"	"				S. T. Sheets	1, 000#	652.40	Cruible	" " "
	"	"				Sheets	19 T	1, 130.00	Newport R. M.	" " "
	"	"				Rope	2, 510#	202.00	Amer. Ch & Cable	" Lower Price
	"	"				Rope	7, 500#	792.00	Wire Rope Mfg	" " "
	"	"				Rope	14, 010#	1, 719.00		" " "
	"	"				Rope	70#	80.00	Macwhythe	" " "
	"	"				Cable	5, 000'	463.85	Wenstien	" " "
	"	"				Cable	1, 000'	1, 500.00	Gertler	" Discount
	"	"				Cable	5, 500'	812.00	Boston I W & C	" Lower Price
	"	"				Cable	1, 000'	612.50	Graybar	" " "
	"	"				Cable	2, 300#	653.00	Rome Cable Co	" By Lot
1/5	"	R-23643 T5	8460	700#	157.46	Mag. Wire				1/9 Lower Price.
12/27/38	Panama Can	3406				Cable	5, 000'	127.00	Latham & Co	1/9 Lower Price.
	"	"				Mag. Wire	2, 200#	93.70	Elec. I S & E Co	" " "
	"	"				Cable	1, 000'	107.30	Bishop W & C Co.	" By Lot.
1/5	"	R-23642 T5				Clavises	32 CI	198.79	Bethlehem	1/9 Lower Price.
1/6	"	S-3412				Cable	6, 500'	6, 633.00	Battinger	" Specifications.
	"	"				Tubing	10, 222#	740.25	Aschel	" Lower Price.
	"	"				Switab's	90#	129.00	Moley	" " "
1/3	"	S-3407				Reinf. Bars	750 T	35, 562.50	Bethlehem	1/3 By Lot.
	"	"				Cable	70, 000'	385.10	Graybar	" Lower Price.
1/18	"	S-3413				Track Spikes	6 T	385.42	N. F. Frank	1/19 By Lot.
	"	"				Cement	42, 000	102, 900.00	N. American	" " "
	"	"					Barrels,			" " "
	"	"					1, 000'			" " "
1/3	Navy-Norl	395				Cable		383.50	Greene-Wolf	1/12 Lower Price.
1/20	Panama Can	3414				Plates	15 T	744.00	Alan Wood	1/23 Lower Price.
1/17	Navy-S & A.	5242	W-8772	16, 280'	13, 218.61	Ropes	519#	128.72	Jones & Laughlin	1/31 Lower Price.
1/26	Panama Can	R-23660, A-26				Track Spikes	7, 800#	245.70	W. Ames & Co.	1/31 Lower Price.
1/27	Panama Can	R-23495, A-27				Multiphase Arch	7, 130#	429.60	Armco	2/3 Lower Price.
1/19	War-Engrs.		{W-8884			Shapes				1/28 Lower Price.
	"		{R-23698-H			Plates				1/28 Lower Price.
1/27	Panama Canal	3418		22 T	1, 347.30					" " "
	"	"					47 T	2, 707.97	Central	" " "

Bid and Award Record, U. S. Government Purchases, 1939—Continued
UNITED STATES STEEL PRODUCTS COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors		Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	
3/10	Panama Can.	3123				Wire Rope	570#	\$121.00	3/21 Lower Price.
	"	"				"	1,030#	126.70	"
	"	"				"	12,000#	385.00	"
	"	"				Nails	41,000#	1,132.56	"
	"	"				Ins. Cable	3,000'	1,377.00	"
	"	"				"	2,000'	144.00	"
	"	"				Cord	15,000'	183.00	"
	"	"				Ins. Cord	1,500'	557.40	"
2/28	War—Engrs	978-39-35	W-978 Eng 1036.	6,268#	\$2,421.00	Wire Netting			Lower Price.
	"	"				Nails	17,900#	507.92	"
	"	"				Bars	14,395#	461.64	"
	"	"				Wire	40,000#	1,404.00	"
	"	"				Sheets (Culvert)	6 T	1,022.16	"
3/21	Panama Can.	R-23831, A-21	W-10091	6,231#	993.95	Wire Rope			3/22 Lower Price.
COMPANY: NATIONAL TUBE COMPANY									
10/25	Navy	4624	64333	3,580#	\$1,780.00	Flasks			12/30 Only Bidder.
9/30	Navy	4839				Tubing	38 T	\$6,141.01	12/30 Lower Price.
1/16	Navy—Wash	36-NSA-787				Tubes	6,915#	460.00	2/7 By Lot.
2/16	Navy—Wash	36-NSA-7-6				Tubing	1,210#	189.53	2/14 Discount.
2/21	Navy	5484	NOS-66489	13 T	2,913.26	Tubing			2/28 Only Bidder.
1/31	Navy	5350				Tubing	36 T	7,149.94	3/1 Lower Price.
2/28	Navy—S&A	5599				Tubing	2,854#	393.18	3/18 By Lot Tie Bids.
"	"	"				Tubing	8,811#	1,443.32	"
"	"	"				Tubing	7,500#	1,137.73	"
3/23	Navy—Wash	36 NSA 1046				Seamless Tub- ing	1,601#	59.16	3/27—Lower Price.

COMPANY: AMERICAN BRIDGE COMPANY

2/6	Bureau of Prisons	1725			Shapes	3 T	\$170.00	Levison Steel Co.	2/11 Lower Price.
2/14	Navy-Wash.	614			Strl. Steel	26 T	1,682.00	F. M. Weaver & Co.	2/16 Lower Price.
1/13	Agriculture	For Ser 4393		42 T	Bridges-2	72 T	4,224.40	Belmont Iron Wks	3/7 Lower Price.
2/14	Govt. of D. C.				"	4 T	259.20	Ingalls	3/24 Lower Price.

COMPANY: COLUMBIA STEEL COMPANY

12/20	Navy	5021		15 T	Nails				1/13 Lower Price.
12/21	"	"			"				"
1/24	Navy-Wash.	36-665		1,200#	Bars	91 T	\$4,008.04	Sheffield	12/29 By Lot.
1/27	Navy S&A	5326		2,525#	Bars	271 T	22,711.64	Sheet Metal Mfg.	2/10 Lower Price.
	Navy S&A	5338			Sheets	28 T	1,537.36	Central I & S	2/7 Lower Price.
	"	"			"	3 T	315.52	Republic Steel	"

EXHIBIT No. 2211

GOVERNMENT TONNAGE, 1938

Bid and Award Record—U. S. Government Purchases

COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION

Open- ing date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
12/27	Wash. N. Yd.	36-NSA-671				Hull Plates	4,453#	\$145.61	Central	1/4 A/C Discount.
1/4	Wash. N. Yd.	455-NSA-(yd)				St. Bars	3,095#	932.50	Ludlum	1/11 By Lot A/C Tie Bids.
12/23	N. Sup. Dep.	8071				Track Bolts	1,591#	692.33	Bethlehem	1/11 By Lot A/C Tie Bids.
12/31	N. Po. Fac.	1-F, NSAF				Alloy Bars	3,000#	46.80	J. C. Moyer Co.	1/19 A/C Lower Price.
12/26	Nor. N. Yd.	13-9-2				Hull St. Bar	1,000#	212.10	Crucible	1/18 By Lot A/C Tie Bids.
1/4	Nor. N. Yd.	13-1029				Hull St. Bar	5,000#	185.00	Crucible	1/18 By Lot A/C Tie Bids.
12/30	Nor. N. Yd.	13-978				Hull St. Bar	6,000#	219.00	Hall-Hodges Co.	1/18 A/C Lower Price.
12/30	Wash. N. Yd.	36-NSA-698				Heat Tr. Bar	4,000#	213.00	Bethlehem	1/18 By Lot A/C Tie Bids.
12/23	Nor. N. Yd.	936-ER				C B S	74,498#	2,753.22	Bethlehem	1/18 A/C Delivery.
12/23	Nor. N. Yd.	935-ER				Shapes & CB	27,840#	753.22	Hall-Hodges Co.	1/18 " Lower Price.
1/11	Wash. N. Yd.	291-NSA (yd)				Shapes	13,017#	400.03	Bethlehem	1/18 " Lower Price.
1/13	Wash. N. Yd.	36-NSA-782				Floor Plates	10,989#	323.08	Hall-Hodges Co.	1/18 " Lower Price.
1/11	Wash. N. Yd.	36-NSA-777				Shapes	9,608#	388.80	Alan Wood	1/18 " Discount.
12/30	Nor. N. Yd.	490				St. Bars	2,208#	80.74	Hall-Hodges	1/19 " Delivery.
1/10	Nor. N. Yd.	13-1028				Bars	3,080#	790.76	Crucible	1/20 " Lower Price.
12/20	Wash. N. Yd.	436-NSA (yd)				High T. St. Sh	5,376#	24.45	Hall-Hodges Co.	1/20 " Lower Price.
						HT St. Strip	13#	1.30	Lukens	1/26 " Lower Price.
						HT St. Bars	45#	9.57	Lukens	1/26 " Lower Price.
						HT St. Plate	294,552#	17,164.68	Lukens	1/26 " Lower Price.
						Bars	3,500#	185.50	Crucible	1/26 By Lot A/C Tie Bids.
						Plates	31,690#	938.69	Central	1/26 A/C Lower Price.
1/24	Wash. N. Yd.	36-NSA-789				Shapes	20,932#	668.38	Hall-Hodges	1/26 A/C Lower Price.
1/20	Wash. N. Yd.	498-NSA (yd)				St. Sheets	1,106#	709.48	Republic	1/26 A/C Only Bidder.
1/20	Wash. N. Yd.	498-NSA (yd)				St. Plates	489#	\$234.72	Republic	2/8 " Delivery.
1/13	Nor. N. Yd.	36-NSA-716				Concr. Bars	52,000#	1,426.60	Hall-Hodges Co.	2/8 " Lower Price.
1/18	Nor. N. Yd.	947-ER				St. Plates	1,509#	654.15	Crucible	2/8 By Lot A/C Tie Bids.
1/27	Wash. N. Yd.	530-NSA (yd)				Bars	6,000#	194.40	Hall-Hodges Co.	2/8 A/C Lower Price.
1/17	Nor. N. Yd.	13-1122 NSAF				Split Switch	580#	117.40	Cincinnati Frog	2/8 " Lower Price.
1/24	Nor. N. Yd.	13-1170 NSAF				Shapes	6,603#	200.64	Hall-Hodges Co.	2/8 " Lower Price.
1/12	Nor. N. Yd.	13-980 NSAF				Plates	3,553#	133.95	Central	2/16 " Discount.
2/10	Wash. N. Yd.	36-NSA-864								

2/8	Wash. N. Yd.	36-NSA-894			Sheets	4,000#	148.00	Youngstown	2/16 By Lot A/C Tie Bids
2/14	Wash. N. Yd.	36-NSA-911			Plates	4,500#	147.15	Central	2/16 A/C Discount
2/19	Wash. N. Yd.	36-NSA-901			Bars	11,475#	361.46	Central	2/16 " Lower Price.
2/17	Wash. N. Yd.	36-NSA-900			Shapes	2,400#	84.96	Hall-Hodges Co.	2/11 " Lower Price.
2/10	Wash. N. Yd.	N-171-S-42330	8,000#	311.21	Bars & Billets				2/11 " Lower Price.
2/22	Wash. N. Yd.	N171-S-42066	2,000#	138.80	Bars				5/3 " Delivery.
2/22	Nor. N. Yd.	N181S-33615	303,800#	61,800.00	Piling				3/4 " Delivery.
3/17	Nor. N. Yd.	N181S-33214	3,000#	97.50	Sheets				2/23 " Lower Price.
4/6	Nor. N. Yd.	N181S-33375	142#	98.43	Plates				3/7 " Delivery.
3/3	Nor. N. Yd.	N181S-33075	9,450#	4,814.91	Sheets				3/4 " Delivery.
2/23	Nor. N. Yd.	N181S-32929	8,874#	510.26	Sheets				2/23 " Lower Price.
2/2	Nor. N. Yd.	N181S-32797	72,279#	4,090.00	Bars & Strip				1/17 " Delivery.
1/26	Nor. N. Yd.	N181S-32699	4,000#	149.00	Bars				3/16 " Delivery.
1/13	Nor. N. Yd.	N181S-32545	154#	49.00	Plates (St.)				3/27 " Lower Price.
3/14	Nav. Acad.	26226	129#	87.43	Bars (St.)				2/18 By Lot A/C Tie Bids.
3/22	Ft. Belvoir Va.	4578	12,921#	348.11	C B's				3/7 By Lot A/C Tie Bids.
3/5	Ft. Belvoir	4548	10,068#	346.59	C B's				3/23 A/C Only Bidder.
2/17	Various Yds	900-1469	553#	220.38	Bars				
3/17	Wash. N. Yd.	36-1016-NSA	201#	52.16	Sheets (st.)				
3/17	Wash. N. Yd.	36-951-NSA	2,274#	69.00	Strip				
3/14	Various Yds	2772 Lot 124 & 125.	59800	333.33	Shapes				
3/17	Various Yds	2772 Lots 116, 126, 127.	59800		Shapes	192,082#	9,307.36	J. P. Cottle	3/23 By Lot A/C Tie Bids.
2/10	Naval Air Sta. Anacostia.	36-38-NSAF	1279		Floor Plates	14,526#	720.00	Barber & Russ.	2/15 A/C Lower Price.
2/3	N. Pow. Fac.	91-NSAF			Shapes	12,544#	372.56	Bethlehem	2/16 By Lot A/C Tie Bids.
3/7	N. Pow. Fac.	1-E-NSAF			Shapes	6,065#	220.06	J. C. Moyer & Co.	A/C Lower Price.
3/7	Wash. N. Yd.	581-NSA (Yd)			Plates (IIT)	17,704#	906.44	Lukens.	3/17 By Lot A/C Tie Bids.
1/31	Nor. N. Yd.	615-38-NSAF			Confer. Bars	190,047#	4,655.28	Hall Hodges Co.	A/C Lower Price.
3/8	Nor. N. Yd.	13-1348-38-NSAF			Bars	6,000#	218.40	Hall Hodges Co.	" Lower Price.
2/23	Nor. N. Yd.	13-1393-38-NSAF			Plates	6,512#	273.45	Bethlehem	3/9 " Delivery.
2/24	Nor. N. Yd.	13-1374-38-NSAF			Track Plate	2,500#	135.60	Henry Walker Co	3/9 " Lower Price.
3/2	Wash. N. Yd.	36-NSA-1014			Billets	3,500#	146.09	Andrews Steel Co.	3/8 " Lower Price.
1/26	Nor. N. Yd.	13-1146-38-NSAF			Bars	6,000#	194.40	Hall Hodges Co.	3/5 " Lower Price.
2/2	Nor. N. Yd.	609-38-NSAF			St. Bars	2,821#	774.36	Latrobe Elec. St.	3/5 " Delivery.
2/23	Nor. N. Yd.	578-NSA (Yd)			Plates IIT	4,743#	279.16	Ahan Wood	3/7 By Lot A/C Tie Bids.
3/15	Nor. N. Yd.	763-38-NSAF			Coner. Bars	1,755,958#	45,192.34	Virginia Steel	3/16 A/C Lower Price.
2/3	Nor. N. Yd.	607-38-NSAF			Sheets	43,573#	1,576.36	Jos. T. Ryerson	3/15 " Lower Price.
3/29	Nor. N. Yd.	797-38-NSAF			Shapes (Galv)	17,131#	744.65	Sheet Metal Mfg	4/28 " Lower Price.
4/26	Nav. Sup. D.	9015	222-38		Sheets	17,245#	732.36	Sheet Metal Mfg	5/5 " Lower Price.
4/11	Wash. N. Yd	36-NSA-1209			Bars	3,521#	187.67	Republic Steel	4/28 By Lot A/C Tie Bids.
4/21	Wash. N. Yd	36-NSA-1226			Bars, Shapes	1,800#	67.28	Hall Hodges Co	4/28 A/C Lower Price.
					Strl. Shapes	1,200#	50.28	Hall Hodges Co	4/28 " Lower Price.
					Shapes	7,115#	209.27	Hall Hodges Co.	4/15 " Lower Price.
2/3	Wash. N. Yd.	36-NSA-1051							

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
3/25	Nor. N. Yd.	13-1599-38- NSAF.				Shapes.....	5,400#	\$153.22	Hall Hodges Co.	4/16 A/C Lower Price.
3/14	Nor. N. Yd.	13-1349-38- NSAF.				Bars.....	6,000#	233.40	Hall Hodges Co.	4/16 A/C Lower Price.
3/25	Nor. N. Yd.	13-1523-38- NSAF.				Bars.....	5,000#	188.50	Hall Hodges Co.	4/16 " Lower Price.
3/17	Various Yds.	2272 Lots 120, 121, 122, 2272 Lt. 123	59800			Shapes.....	1,333,346#	42,569.48	J & S.....	3/23 " Lower Price.
3/17	Various Yds.	2272 Lt. 123	59800			Shapes.....	152,700#	4,972.59	Phoenix Iron	3/23 " Lower Price.
4/1	Indian Head	60045 Lt. 850.		10,626#	\$4,309.75	Plates & Sh.			W. Va. Rail Co.	4/4 By Lot A/C Tie Bids.
12/31	Portsmouth N. H. Navy Yd.	53508 Lts. 594, 595.		37,905#	2,044.16	Billets & Forg- ings.			Pettibone Millihen	1/3 A/C Lower Price.
12/31	Portsmouth N. H. Navy Yd.	53508 Lt. 596.				Billets.....	25,950#	1,833.22	Midvale Co.	1/3 " Lower Price.
2/8	Wash. N. Yd.	N171S-42973.		6,120#	343.94	Plates.....				2/11 By Lot A/C Tie Bids.
2/24	Brkln. N. Yd.	59404 Lts. 585, 586.		87,661#	6,444.39	Bars.....				3/2 A/C Low (on 585). Only Bid (on 586).
2/16	Wash. N. Yd.	541-NSA-Yd.		200#	10.40	Track Work.....	19,500	537.56	Bethlehem	2/17 " Lower Price.
2/16	Wash. N. Yd.	541-NSA-yd.				Track Work.....	13,000	144.42	W. Va. Rail Co.	2/17 " Lower Price.
2/16	Wash. N. Yd.	541-NSA-yd.				Track Work.....	11,000	93.51	Pettibone Millihen	2/17 " Lower Price.
3/17	Ind. Head, Md.	N178S1929		58,984#	1,563.19	Rail.....				3/23 " Lower Price.
4/6	Nor. N. Yd.	N181S-33367		823#	61.45	Plates & Sh.				4/8 " Lower Price.
3/30	Nor. N. Yd.	59966		944,550# 213,800# 113,500#	43,882.41	Bars..... Billets..... Strip.....				3/31 " Lower Price.
3/30	Nor. N. Yd.	59966 Lts. 170.		11,271,850		Bars.....	2,000#	132.10	LaSalle Steel	3/31 A/C Lower Price.
3/30	Nor. N. Yd.	59966 Lts. 183, 184, 185.				Bars.....	308,100#	13,190.97	Keystone.....	3/31 A/C Lower Price.
3/30	Nor. N. Yd.	59966 Lts. 187, 190.				Bars.....	312,085#	11,749.17	J&S.....	3/31 " Lower Price.
3/30	Nor. N. Yd.	59966 Lts. 192, 193.				Bars.....	105,900#	6,254.98	Enterprise.....	3/31 By Lot A/C Tie Bids.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
1/25	Navy S & A...	2608				St (ainless) 1 Bars	20, 000#	\$11,177.50	Republic.	2/25 By Lot A/C Tie Bids.
12/14	Navy S & A...	2204				St. Bars	5, 000#	2,360.00	Arneo	2/25 By Lot A/C Tie Bids.
						Plates	40, 070#	1,684.96	Central	7/17 A/C Discount.
						Plates	3, 670#	128.18	Alan Wood	1/17 " Lower Price.
1/11	Navy S & A...	2383				Plates	8, 100#	209.79	Worth	1/17 " Lower Price.
4/11	US Eng. Off.	174-38-122				Rivet Round	762, 600#	22,654.23	Laclede Steel Co.	2/1 " Lower Price.
2/17	Chem. War- fare Service.	235-38-215				Rivet Round	210, 100#	7,913.63	Republic	2/1 " Lower Price.
						Conc. Bars	2, 918, 787#	74,812.37	Taylor Davis	4/13 " Lower Price.
						Tim. Plate	31, 870#	1,842.41	J & L	3/4 " Lower Price.
						Tim. Plate	31, 050#	56.48	Youngstown	3/4 " Lower Price.
3/28	Nor. N. Yd.	13-1507-38-				Bars	(135,880)7	(11,808.80)	Hall Hodges	4/16 " Lower Price.
3/16	Nor. N. Yd.	13-1350-38-				Bars	2, 301#	75.41	Hall Hodges Co.	4/16 " Lower Price.
3/29	Naval S. D.	8904	4-2383-38- NSAF.			Plates	4, 000#	139.63	Hall Hodges Co.	4/19 " Lower Price.
4/4	Nor. N. Yd.	724-38-NSAF				St (ainless) Bars.	8, 000#	2,722.00	Alberghy Steel	4/19 By Lot A/C Tie Bids.
3/22	Nor. N. Yd.	13-1377-38-				Sheets	8, 000#	244.00	Hall Hodges Co.	4/16 By Lot A/C Tie Bids.
3/21	Nor. N. Yd.	13-1398-38-				Sheets	2, 101#	74.55	Taylor-Parker Co	4/16 A/C Lower Price.
3/21	Nor. N. Yd.	766-38-NSAF				Shapes	18, 635#	510.79	Hall Hodges Co	4/17 A/C Lower Price.
3/21	Nor. N. Yd.	13-1380-38-				Sheets	8, 000#	244.09	Hall Hodges Co.	4/16 A/C Discount.
4/1	Wash. N. Yd.	36-NSAF-1137				Lt. Rails	5, 292#	133.06	Swifts Steel Co	4/16 " Lower Price.
4/7	Wash. N. Yd.	709-NSA-(yd)				Alloy Billets	60, 000#	2,740.14	Taylor Steel & T	4/15 " Lower Price.
4/11	Wash. N. Yd.	639NSA (yd)				Strl Shapes	10, 152#	332.53	Hall Hodges Co	4/15 " Lower Price.
						Bar Shapes	1, 865#	80.45	Hall Hodges Co	4/15 " Lower Price.
4/4	Wash. N. Yd.	36-NSA-1101				Plates	7, 070#	232.47	Central	4/15 " Lower Price.
3/15	Wash. N. Yd.	36-NSA-441				Shapes	7, 873#	235.41	John McKenzie & Co	4/15 " Lower Price.
3/30	Wash. N. Yd.	36-NSA-1085				Plates	6, 000#	181.29	Central	4/7 " Lower Price.
2/23	Wash. N. Yd.	578-NSA-(yd) Gr. 2				Sheets	14, 586#	405.41	Alan Wood	3/2 " Lower Price.
4/19	Nor. N. Yd.	ER-786				(Spec 1) Track Work	5, 000#	716.37	L. B. Foster Co.	5/13 " Lower Price.
						Track Work	8, 000#	800.00	Central Forg.	5/13 " Lower Price.
						Track Work	8, 075#	463.98	Bethlehem	5/13 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
5/17	Wash. Navy Yd.	36-NSA-1340				Stainless B.	247#	\$93.31	Republic Steel Co.	5/19 By Lot—A/C Tie Bids.
5/2	Norfolk N. Yd	854 (38) NSAF				Stainless B.	21,955#	6,003.08	Rustless I & S Co.	5/18 A/C Delivery.
5/2	Norfolk N. Yd	905 (38) NSAF				CB's	288#	114.85		
4/29	Navy—S&A	500-430				Spec. Treat Bars	54,600#	1,492.14	Morris Wheeler & Co.	5/18 By Lot—A/C Tie Bids.
4/29	Norfolk N. Yd	13-1633 (38) NSAF				Bars	6,100#	1,047.20	Midvale Co.	5/19 A/C Lower Price.
4/28	Norfolk N. Yd	13-1744 (38) NSAF				Bars	6,000#	228.00	J & L Steel Corp.	5/19 " Delivery.
4/25	Norfolk N. Yd	13-1727 (38) NSAF				Stainless Sheets & Plates	6,000#	198.00	J & L Steel Corp.	5/19 " Delivery.
3/25	Navy—Ord	3011	60749	6T	\$879.31	Alloy Plates	135#	55.35	Republic Steel Co.	5/19 By Lot—A/C Tie Bids.
						"	110#	50.14		
						"	22,080#	1,715.62	Bethlehem	5/18 A/C Specifications.
						Bars	33,120#	2,268.72	Kilby Car & Fdy. Co.	5/18 " Lower Price.
4/29	Navy—S&A	2731 (Aero)	60819	800#	472.13	Stainless Sheets.	20,374#	72,042.40	L. B. Foster Co.	5/24 " Lower Price.
5/19	Norfolk N. Yd	970-38-NSAF				Sheet Piling	550#	192.50	Crucible Steel Co.	5/25 " Lower Price.
5/10	Norfolk N. Yd	13-1748-NSAF				Stainless B.	6,000#	228.00	Jones & Laughlin	5/25 " Lower Price.
5/9	Norfolk N. Yd	13-1768-NSAF				Bars	1,512#	744.66	Crucible Steel Co.	5/25 " Delivery.
5/13	Norfolk N. Yd	953 (38) NSAF				Stainless Sheets	70,200#	3,113.38	Alton Iron Works	5/25 A/C Lower Price.
5/13	Navy—S&A	3423				Floor Plates	120,500#	4,006.63	Central I & S Co.	5/23 " Lower Price.
4/22	Navy—S&A	3223				Plates	240,000#	12,384.00	Midvale Co.	5/23 " Lower Price.
5/13	Navy—S&A	3348				Forced Wedges	32,900#	2,234.50	Timken Roller Bearing Co.	5/23 " Lower Price.
5/6	Navy—S&A	3395				Nickel Steel	106,000#	3,193.90	Inland Steel Co.	6/1 " Delivery.
5/31	Wash. Navy Yd.	756-NSA—				Plates	129#	50.71	Carpenter Steel Co.	5/31 By Lot A/C Tie Bids.
5/12	Wash. Navy	800-NSA—				Stainless B.	16,400#	771.47	Bethlehem	6/1 A/C Delivery.
5/24	Wash. Navy	761-NSA—				Bars	1,955#	87.26	Hall-Hodges Co.	6/6 " Lower Price.
5/26	Wash. Navy	755-NSA—				Bars & Sm. S.	15,851#	470.77	Hall-Hodges Co.	6/6 " Lower Price.
4/8	Navy—S&A	3123				Shapes	223,540#	93,283.88	Sruthers-Wells Co.	6/3 " Lower Price.
						Heavy Frogs	111,770#	42,871.12	Penna. Forge Co.	6/3 " Lower Price.
						"	111,770#	42,611.30	Nat. Forge & Ord. Co.	6/3 " Lower Price.
6/2	Wash. Navy Yd.	642-NSA— Yd. Group 2.				Shapes	5,491#	192.11	Hall-Hodges Co.	6/10 " Lower Price.

6/2	Wash. Navy Yd.	759—NSA—Yd.	N—171—S—43 141.	14T	153.86	Bars.	84,200#	4,304.88	Kilby Car & Found. Co.	6/10 " Lower Price.
6/2	Wash. Navy Yd.	642—NSA—Yd.	N181s-34021	2,000#	88.00	Plates	9,486#	289.27	J. & L. Steel Corp.	6/10 " Lower Price.
6/8	Wash. Navy Yd.	893—NSA—Yd.	N181s-34028	2,000#	88.00	Sheets	15,000#	489.00	Central I & S Co.	6/10 " Lower Price.
6/7	Wash. Navy Yd.	35—1449—Yd.	N171s-43200	3,927#	225.02	Plates	15,000#	441.00		6/8 " Lower Price.
6/7	Wash. Navy Yd.	923—NSA (ydp) Group 1.	N181s-34028	2,000#	88.00	Sheets	15,000#	489.00		6/14 A/C Lower Price.
6/5	Norfolk N.Yd.	927—NSA (ydp) Group 2.	N171s-43200	3,927#	225.02	Strip.	15,000#	441.00		6/15 " Lower Price.
6/9	Wash. Navy Yd.	81—NSA—Yd.	N171s-43200	3,927#	225.02	Small Shapes	15,000#	489.00		6/13 By Lot A/C Tie Bids.
5/27	N Powder	146 (NSA F)				High Tensile	15,000#	441.00		6/22 By Lot A/C Tie Bids.
6/3	Navy S & A.	3564 (Aero)				Stainless Vars	816#	325.58	Crucible Steel	6/22 By Lot A/C Tie Bids.
6/14	Wash. N.Yd.	758—NSA—Yd.				Stainless Sheets	40,000#	17,800.89	Jessop Steel Co.	6/22 A/C Lower Price.
5/24	Navy S & A.	3464 (Eng)				Floor Plate	34,640#	1,347.50	Amer. Pressed Steel Co.	6/17 " Lower Price.
6/10	Norfolk N.Yd.	1028(38)NSAF	N181s-34057	3,890#	1,876.93	Galv. Sheet	70,959#	2,946.15	Carroll McCreary & Co.	6/15 " Delivery.
6/1	Wash. Navy Yd.	876—NSA—Yd.	N171s-43151	19,006#	696.79	Sm. Shapes	12,128#	509.79	Wrought Iron Co.	6/10 " Only Bidder.
6/1	Norfolk N.Yd.	13—1867—(38)NSAF				Stainless Sheets	300#	121.50	Republic Steel Co.	6/12 By Lot A/C Tie Bids.
5/27	Norfolk N.Yd.	930(38)NSAF				Rails and Fastenings	6,000#	192.00	American Rolling Mill Co.	6/23 By Lot A/C Tie Bids.
5/20	Supt. Let. H. Norfolk.	2568				Stainless Bars	174,000#	5,245.06	Bethlehem	6/23 By Lot A/C Tie Bids.
5/21	Norfolk N.Yd.	950(38)NSAF	61369	59,816#	47,223.84	Sheet Piling	14,675#	456.10	Hall-Hodges Co.	6/11 A/C Lower Price.
6/2	Norfolk N.Yd.	929(38)NSAF	N181s-34039	11,000#	455.50	Plates—Treat.				6/18 " Only Bidder.
6/3	Navy S & A.	3597		15,000#	481.25	Spec. Plates				6/21 A/C Lower Price.
6/7	Navy S & A.	3570				Bars	14,000#	6,535.00	Universal Cydlops Steel Corp.	6/20 A/C Discount.
5/17	Navy S & A.	3620				Billets	13,432#	5,391.18	Bethlehem	6/20 A/C Discount.
6/22	Wash. Navy Yd.	923—NSA (ydp) Group 1.	N171s-43361	10,000#	513.00	Stainless Sheets	4,258#	1,538.45	Universal Cydlops Steel Corp.	6/20 A/C Discount.
6/8	Wash. Navy Yd.	893—NSA (ydp) Group 2.	N171s-43361	10,000#	513.00	Stainless Bars	10T	8,526.00	Natl Forge & Ord. Co.	6/20 A/C Lower Price.
6/23	Wash. Navy Yd.	876—NSA (ydp)	876—NSA (ydp)	275#	36.60	Heavy Forgings	28T	22,720.00	Erie Forge Co.	6/20 " Lower Price.
6/27	Naval Pow-der Factory.	1—L—NSAF	N—174—S—5077	3,704#	142.64	Heavy Forgings	33T	25,108.30	Penna. Forge Co.	6/20 " Lower Price.
						Heavy Forgings	25T	19,632.60	Bethlehem	6/29 By lot A/C Tie Bids.
						Nickel Steel	10,775#	734.85	Bethlehem	6/27 By lot A/C Tie Bids.
						Rounds.				7/1 A/C Only Bidder.
						Semi-finish				6/29 " Only Bidder.
						Bars				
						Lamin Splices				
						C B's.				

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded U.S.		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
6/23	Wash. Navy Yd.	36-NSA-1530				Semi-finish Bars	4,000#	\$213.20	Bethlehem	7/6 By Lot A/C Tie Bids.
5/12	Norfolk N. Yd	13-1866 NSA F				Shapes	1,923#	67.17	Hall Hodges Co.	6/25 A/C Lower Price.
5/17	Navy S & A.	3404	NOS-61431	22,400#	\$2,397.00	Heavy Forgings	23,000#	2,230.00	Crucible Steel Co.	6/27 " Lower Price.
						Heavy Forgings	130,451#	15,563.55	Struthers Wells Titus- ville Corp.	6/27 " Lower Price.
6/27	Wash. Navy Yd.	920 NSA (Yd)				Sheets	7,335#	228.36	Central Iron & Steel Co.	7/7 " Discount.
7/6/38	Wash. N. Yd	928-NSA-Yd	N171s-43469	6,500#	1,704.45	Stainless Billets				7/12 " Delivery.
7/1	Navy S & A.	3697	S-61809	1 T	200.78	Terne Pipe				7/1 " Lower Price.
				1 T	173.92	Charcoals	1T	233.10	Sheet Metal Mfg. Com- pany.	7/1 " Lower Price.
7/1	Navy S & A.	3686 (C & R).				Bars	314,900#	8,865.93	Youngstown Sheet & Tube Co.	7/18 " Lower Price.
7/1	Navy S & A.	3691	NOS-61906	24,400#	9,855.16	Bars	177,200#	5,293.95	Gr. Lakes Steel Co.	7/18 " Lower Price.
				2,715#	1,090.73	Stainless Sheets				7/14 By Lot A/C Tie Bids.
6/29	Navy S & A.	500-522	NOS-62024	9,140#	4,423.76	Stainless Sheets	32,493#	15,564.74	Republic Steel Corp.	7/14 By Lot A/C Tie Bids.
7/12	Navy S & A.	3937 (C & R)				Spec. Treat. Steel Plates.	4,600#	1,792.16	Crucible Steel Corp.	7/14 By Lot A/C Tie Bids.
7/13	Naval Sup.	9372				Bars (Alloy)	249T	22,987.68	Republic Steel	7/19 A/C Only Bidder.
7/14	Wash. N. Yd	36-NSA-2				Concrete Bars	70T	3,233.90	Hal-Hodges Co.	7/21 " Lower Price.
7/20	Sup. of Light- houses, Nor- folk.	23452	23452	19,363#	561.53	Rails	1,600#	39.12	Bethlehem	7/25 A/C Lower Price.
7/19	U. S. Engr. Balto. Md.	174-39-3				St. Piling (Sheet).				7/22 By Lot A/C Tie Bids.
7/20	Navy S & A.	500-542	NOS-62063	7,340#	1,217.71	Spec. Treat Plates.	740 N. T.	39,516.00	Inland Steel Co.	7/26 A/C Only Bidder.
7/20	Wash. N. Yd.	36-NSA-56				Billets Alloy	5,000#	199.00	Timken Roller Bearing Co.	7/27 " Lower Price.
7/22	Navy S & A.	3854				Stainless St.	14,400#	4,947.18	Timken Steel Co.	7/26 By Lot A/C Tie Bids.
						Stainless St.	500#	201.25	Allegheny Steel	7/26 By Lot A/C Tie Bids.
						Stainless St.	28,840#	9,688.35	Kilby Car & Fdy.	7/26 By Lot A/C Tie Bids.
						Stainless St.	3,700#	1,304.53	Kilby Car & Fdy.	7/26 A/C Lower Price.

7/26	Wash. N. Yd.	116-NSA-Yd.			Plates	35,251#	948.25	Central	7/29 "
7/12	Navy S & A	3846 (C & R)			Plates (High Tensile)	811,406#	43,166.89	Lukens Steel Co.	By Lot A/C Tie Bids.
7/26	Navy S & A	3990 (C & R)			Bars (Alloy)	662,600#	29,224.51	Youngstown Sh. & Tube Co.	8/5 A/C Lower Price.
7/6	Navy S & A	500-534			Bullet-Proof Plates	5,000#	3,500.10	Henry Disston & Sons	8/11 "
7/15	Navy S & A	3891			Ni. St. Plates	83,860#	4,748.16	Republic Steel Co.	Lower Price.
8/9	Navy S & A	4082 (C & R)			Sheet Piling	125,000#	5,832.50	Youngstown Sheet & Tube Company	8/11 By Lot A/C Tie Bids.
8/8	Navy S. D.	9503-NSA-43 (1939)			Bars (Alloy)	84,160#	3,294.50	Superior Sheet Steel Co.	8/17 By Lot A/C Tie Bids.
8/10	Navy S & A	500-578			Galv. Corr. Sheets				8/16 A/C Lower Price.
8/2	Navy S & A	4010 (Eng.)			Spec. Treat. Steel Plate	58,350#	25,841.04	Allegheny Steel	8/20 "
8/10	Navy S & A	500-588			Strip Steel & Spec. Treat. St.	6,440#	6,053.60	Midvale Company	Only Bidder.
8/10	Navy S & A	500-553			Spec. Treat. Steel Grating	280,000#	216,750.00	Bethlehem	8/20 " Lower Price.
8/10	Navy S & A	500-553			Concrete Bar Conc. Bars	170,480#	165,365.60	Midvale Co.	8/24 " Lower Price.
8/19	Naval Sup. D.	9006 P W A R. e. d. 24 (1939)			St. Sh. Piling	276T	11,101.60	Taylor Davis Inc.	8/25 " Lower Price.
8/22	Supt. Light-house Norfolk	25730			Plates	16,200#	451.98	Bethlehem	8/30 By Lot A/C Tie Bids.
9/1	Wash. N. Yd.	36-NSA-229			HR Sheets	12,200#	352.78	Central	9/8 A/C Discount.
8/30	Wash. N. Yd.	36-NSA-191			Bars (Carbon)	6,800#	178.19	Apoll Steel Co.	9/8 " Lower Price.
9/1	Wash. N. Yd.	36-NSA-262			Bars (Alloy)	4,000#	199.20	Crucible Steel	9/8 " Lower Price.
8/26	Wash. N. Yd.	209-NSA-Yd.			CR Sheets	200#	22.84	Crucible Steel	9/8 " Lower Price.
5/10	Navy S & A	3392 (Ord.)			High Tensile Sheets	61,200#	2,319.48	Carroll-McCreary	9/7 " Lower Price.
8/17	Norfolk N. Yd.	122-NSAF			Stainless Sheets	16,200#	495.70	W. Ames & Co.	8/25 By Lot A/C Tie Bids.
8/2	Navy S & A	3066 C & R			Track Spikes	2,600#	108.04	Columbia Steel Co.	9/6 A/C Lower Price.
8/31	Wash. N. Yd.	111-NSA-(yd)			Track Spikes	7,035#	344.15	Bethlehem	9/3 A/C Delivery.
8/12	Navy S & A	4059 C & R			Plates	3,900#	1,471.73	Carpenter Steel	8/31 " Lower Price.
8/24	Wash. N. Yd.	36-NSA-219			Stainless Bars	4,644#	141.18	Lukens Steel	8/21 By Lot A/C Tie Bids.
8/24	Wash. N. Yd.	36-NSA-206			Billets (Car)				8/20 A/C Lower Price.
8/24	Wash. N. Yd.	36-NSA-204			Bars (Carbon)	5,000#			8/20 " Lower Price.
8/24	Wash. N. Yd.	36-NSA-204			Bars (Alloy)	51.32			8/20 " Lower Price.
8/24	Wash. N. Yd.	36-NSA-204			Sm. Shapes	194.62			8/20 By Lot A/C Tie Bids.
8/18	Norfolk N. Yd.	121-NSAF			Strip HR	21,758#	1,165.52		8/20 By Lot A/C Tie Bids.
7/29	Wash. N. Yd.	133-NSA-yd.			Spec. Treat. Plates	8,090#	292.12		8/20 A/C Lower Price.
						4,901#	4,008.00		8/20 " Only Bidder.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors		Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	
7/15	Navy S & A.	3818 C & R.	62349	2, 050#	\$130.94	Shapes. Sm. Shapes..... Strl. Slips Galv..... Strl. Slips..... Strl. Slips Galv..... Sm. Ship. Galv..... Floor Plate..... Sheets..... Plates..... Floor Plates..... Alloy Bars..... Alloy Billets..... Carbon..... ".....			

9/22	Naval Pr. Gr.	4-13 (1939) NSAF	Sheets (Galv.) Galv.	100,000# 20,250#	5,900.00 917.04	Galv. Works. Bethlehem	10/12 " Lower Price. 10/6 By Lot A/C Tie Bids.
9/15	Navy Wash.	36-NSA-288	Strip	5,750#	165.60	Alan Wood Steel	10/3 A/C Discount.
9/27	Navy Wash.	36-NSA-335	Sheets	6,000#	158.40	Alan Wood Steel	10/3 " Discount.
9/28	Navy Wash.	225-NSA-yd	Bars	37,725#	1,463.26	Crucible Steel	10/3 By Lot A/C Tie Bids.
9/30	Navy, Norf.	N1818-35000	Bars, Galv.				10/4/38 A/C Lower Price.
			Strip	290.82			10/4 A/C Lower Price.
			Bar Shapes	276.24			9/8 " Lower Price.
9/6	Navy Wash.	194-NSA (yd)	Strl "	1,758#			9/8 " Lower Price.
			Gr. 3	127.33			10/17 " Lower Price.
10/6	Navy, Wash.	320-NSA-(yd)	Ferro-Mang a- nese	100,000#	4,228.00	Bethlehem Steel	
8/5	Navy, Norf.	119(39)NSAF	Stainless Sheets	5,450#	2,886.68	Amer. Rolling Mill	9/27 " Lower Price.
8/2	Navy, Norf.	13-90 (39)	Bars	6,000#	185.40	Hall-Hodges Co.	9/27 " Lower Price.
8/30	Navy, Norf.	161-NSAF	Shapes	8,694#	246.04	Hall-Hodges Co.	9/27 " Lower Price.
7/26	Navy, Norf.	13-31 (1939)	Shapes & CB's	9,740#	247.76	Hall-Hodges Co.	9/27 " Lower Price.
8/23	Navy S & A.	4113 C & R	Forgings	510,342#	43,108.13	Midvale Co.	10/1 " Lower Price.
9/9	Navy S & A.	4262 C & R	Hi. Tensile Steel Plate	63,080#	3,376.16	Lukens Steel Co.	9/30 " Lower Price.
9/6	Navy, Wash.	194-NSA (yd)	Floor Plate	2,672#	105.01	Amer. Pressed St.	9/8 " Discount.
8/16	Navy S & A.	4123 (Eng)	Plates	103,098#	3,861.98	Central I & S	9/12 " Discount.
9/2	Navy, S & A.	4227 C & R	Stainless Bar Angles	8,960#	4,734.11	Republic Steel	9/13 By Lot A/C Tie Bids.
9/20	Navy Wash.	36-NSA-304	Bars	5,000#	249.00	Kilby Steel Co.	9/26 A/C Lower Price.
6/13	Navy, Norf.	968-ER	CB's	189,397#	5,277.09	Morris-Scheeler	9/27 By Lot A/C Tie Bids.
9/2	Navy S & A.	4226 (C & R)	Stainless Bars	900#	366.00	Allegheny-Ludlum	9/13 By Lot A/C Tie Bids.
			Stless Strip	900#	400.50	Bethlehem	9/13 By Lot A/C Tie Bids.
			Stless Bars	108#	53.34	Carpenter Steel	9/13 By Lot A/C Tie Bids.
8/23	Navy, Norf.	134 (1939)	Concr. Bars	20,986#	460.00	Virginia Steel	9/13 A/C Lower Price.
9/1	Naval Sup. D.	9682 PWA Req. 46.	Shapes	27,500#	700.00	Hall-Hodges	9/13 A/C Lower Price.
8/31	D Gov't	36-NSA-251	Stless Bars	183#	90.27	Morris Wheeler	9/14 " Lower Price.
9/13	Navy, Wash.	36-NSA-263	Sheets	6,120#	161.57	Central I & S	9/15 " Lower Price.
9/21	Navy Wash.	233-NSA-yd	Floor Plate	11,000#	432.30	Central I & S	9/15 " Discount.
7/1	Navy Norf.	1091 NSAF	Plates	20,360#	789.78	Central I & S	9/26 " Lower Price.
10/7	Navy S & A.	4421 C & R	Conc. Bars	472,125#	10,222.71	Hall-Hodges Co.	9/27 " Lower Price.
			Rich Tensile Steel Plates	93,800#	5,144.48	Alan Wood Steel	10/18 " Lower Price.
10/5	Navy S & A.	500-645	STS Plates	75,000#	31,800.00	Midvale	10/17 " Lower Price.
7/26	Navy S & A.	3989 (Ord)	Shapes	19,933#	558.12	Spuck I & Found.	8/31 " Lower Price.
8/24	Navy, Wash.	36-NSA-209	Plates	10,200#	284.58	Central I & S	8/31 " Discount.
9/6	Navy, Wash.	194-NSA-yd	Plates	1,530#	61.81	Central I & S	9/8 " Discount.
8/19	Navy Wash.	36-NSA-170	Plates	11,000#	334.40	Central I & S	8/31 " Discount.
8/10	Navy, Wash.	36-NF-119	Plates	6,120#	164.63	Central I & S	8/24 " Lower Price.
8/11	Navy, Wash.	89 (1939) SAF	Plates	19,650#	1,010.43	Lukens Steel	8/24 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
8/11 8/3	Navy, Wash. Navy, Wash.	132-NSA-yd 120-NSA-yd Group 2				Plates Shapes	52,947# 16,452#	\$1,159.54 479.01	Central I & S Hall-Hodges	8/23 A/C Discount. 8/11 " Lower Price.
7/25 7/20	Navy, Wash. Navy, Wash.	36-NSA-5 Grl 931-NSA-yf				Stainless Sheets Stainless Bars	334# 1,300#	151.57 436.71	Amer. Rodding Crucible Steel	8/11 By Lot A/C Tie Bids. 8/11 A/C Lower Price.
8/3	Navy, Wash.	36-NSA-96				Bars	5,000#	244.00	Republic	8/11 By Lot A/C Tie Bids.
10/10	Navy, Wash.	36-NSA-370				Plates	12,688#	288.72	Central I & S	10/20 A/C Discount.
10/3	Naval P. Fac.	Req. 1-C- NSAF				Track Spike	4,000#	127.20	W. Ames & Co.	10/19 " Lower Price.
7/8	Navy, S & A.	3781 C & R				Sheets Corr. Galv.	339,550#	14,416.76	Sheet Metal Mfg.	7/22/38 " Lower Price.
						Sheets Flat Galv.	1,609,590#	64,299.36	" "	7/22 " Lower Price.
						Sheets Flat Black	131,310#	3,778.01	Alan Wood Steel	7/22 " Lower Price.
						Sheets Flat Black	57,855#	1,896.47	Great Lakes Steel	7/22 " Lower Price.
						Sheet Cold Roll Black	6,530#	275.80	" "	7/22 " Lower Price.
						Sheets Flat Black	133,930#	3,301.67	Central I & S	7/22 " Lower Price.
						Sheets Flat Black	58,210#	2,644.19	Wheeling Steel	7/22 By Lot A/C Tie Bids.
9/26 10/18	Marine Corps Navy, Norf.	179, Req. 722 13-255 (1939) NSAF		473#	\$340.75	Fmd Sheets Stainless Floor Plates	23,204#	792.06	Carroll-McCreary	10/20 A/C Lower Price. 10/19 By Lot A/C Tie Bids
10/10 10/13	Nav. P. Fac. Navy, Norf.	21-NSAF 258 (1939) NSAF		15,000#	7,575.00	Stainless Sheets Stainless Sheets	2,480#	1,035.02	Universal-Cyclops	10/24 A/C Lower Price. 10/24 By Lot A/C Tie Bids.
10/11	Navy, Norf.	141(39) NSAF				Sheets Bars	202,934# 7,015#	7,415.10 329.03	Republic Steel Republic Steel	10/21 A/C Lower Price. 10/21 " Lower Price.
10/20 10/5	Navy, Wash. Navy, Norf.	314-NSA-yd 253(39) NSAF		57,840#	1,654.22	Stainless Bars Plates	357#	119.88	Allegheny-Ludlum	10/25 By Lot A/C Tie Bids. 10/25 By Lot A/C Tie Bids.
10/4	Navy, Norf.	18-PWA (1939) Lot #1.		12,120#	344.21	Tie Plates Std. Rails		3,000.00	Bethlehem Steel	10/20 A/C Lower Price.
10/6	Navy, Norf.	13-253 (39) NSAF				Rail Access Bars	55GT 12,995#	575.00	Bethlehem Steel	10/20 A/C Lower Price.
10/6	Navy, Norf.	13-252 (39) C & R.				Bars	5,000#	202.00	Hall Hodges Co.	10/31 A/C Lower Price.
							6,000#	213.20	Hall Hodges Co.	10/31 A/C Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
11/26	Norfolk Navy	13-373 (1939)				Shapes	6,000#	\$170.28	Hall-Hodges	11/21 A/C Lower Price.
10/24	Norfolk Navy	337 (1939)				Alloy Bars	17,000#	1,179.80	Bethlehem	11/22 " Delivery.
10/27	Norfolk Navy	PW A-33 (1939)				Galv. Corr.	30,454#	1,200.80	Hudgins & Sons	11/22 " Lower Price.
10/24	Norfolk Navy	262 (39)				Terne Plates	32,616#	2,574.72	Wheeling Corru.	11/9 " Lower Price.
10/11	Norfolk Navy	13-318 (1939)				Alloy Bars	6,500#	445.10	Crucible Steel	11/22 By Lot A/C Tie Bids.
10/21	Norfolk Navy	340 (1939)				Shapes	10,000#	282.90	Hall-Hodges	11/9 A/C Lower Price.
11/20	Navy S&A	4060				Plates	4,000,000#	105,000.00	Central I&S	12/3 " Lower Price.
11/16	Navy S&A	500-575				Sp. Tr. Bars	191,186#	32,926.48	Bethlehem	12/5 " Lower Price.*
11/16	Navy Wash.	36-NSA-515				Plates	8,100#	225.99	Central I&S	11/15 " Discount.
11/9	Agriculture	132-PW				Conc. Bars	60,841#	1,335.00	Rosslyn Steel	11/10 " Lower Price.
11/9	Agriculture	122-PW				Conc. Bars	41,582#	800.00	Rosslyn Steel	11/20 " Lower Price.
11/9	Naval S. D.	180 NSA				Conc. Bars	118,841#	2,317.42	Taylor Davis Inc.	11/9 " Lower Price.
11/4	Agriculture	Req. 4-1729				Conc. Bars	66,727#	1,322.00	Dietrich Bros.	11/9 " Lower Price.
11/3	Navy Norfolk	117-PW				Alloy Bars	3,000#	211.50	Republic Steel	11/22 By Lot A/C Tie Bids
11/3	Navy Wash.	13-419 (1939)				Hi. Ten. Steel	5,661#	290.97	Lukens Steel	11/15 A/C Lower Price.
11/1	Navy Norfolk	393 (1939)				Stainless Steel	4,000#	1,792.40	Universal	11/21 " Lower Price.
10/31	Naval S.D.	122 PWA				Conc. Bars	35,000#	826.00	Concrete Steel	11/22 A/C Lower Price.
10/28	Norfolk Navy	13-389 (1939)				Stainless "	600#	231.00	Rustless Iron	11/21 By Lot A/C Tie Bids.
11/3	Navy Wash.	36-NSA-487				Alloy Bars	1,705#	128.22	Bethlehem	11/14 By Lot A/C Tie Bids.
10/25	Navy S&A	4617				Std. Rails	320 GT	14,374.40	Bethlehem	11/30 A/C Lower Price.
						Tie Plates	47,040#	1,110.14	Bethlehem	11/30 " Lower Price.
						Sp. Track Wk.	3,000#	89.40	Bethlehem	11/30 " Lower Price.
						Tie Plates	3,500#	186.00	L. B. Foster	11/30 " Lower Price.
						Track Bolts	3,500#	192.50	L. B. Foster	11/30 " Lower Price.
						Std. Rail Splices	47,000#	1,546.30	M. K. Frank	11/30 " Lower Price.
						Sp. Track Wk.	3,200#	410.75	J. M. Motley	11/30 " Lower Price.
						Track Spikes	17,000#	510.00	Geo. H. Carey	11/30 " Lower Price.
9/13	Navy S&A	4319 C&R	63345	24,000#	\$956.00	High Tensile Sm Shapes				10/19 " Only Bidder
						H. T. Strl Shp.	80,000#	2,065.00	Bethlehem	10/19 By Lot A/C Tie Bids.
11/23	Navy Wash.	63-Y&D (yd)		1,647# 200#	74.44 10.06	Tie Plates				12/1 A/C Lower Price.
						Track Bolts	8,000#	923.00	West Va. Rail Co.	12/1 " Lower Price.
						Crossings	11,900#	277.62	Bethlehem	12/1 " Lower Price.
						Std. Rails		49.45	Bethlehem	12/1 " Lower Price.
						Sev. Stand. & Guard Rails				

DISPELLING THE FOG.

In an effort to be helpful to iron and steel buyers everywhere, Republic Steel presents a compilation of recently announced basing points, classified by products.

BASING POINTS... ANNOUNCED TO AUGUST 1, 1978

NUMBERS FOLLOWING EACH PRODUCT REFER TO NUMBERED BASING POINTS ABOVE

- 1. PITTSBURGH, PA.
- 2. CINCINNATI, OH.
- 3. BIRMINGHAM, ALA.
- 4. CLEVELAND, OH.
- 5. PITTSBURGH, PA.
- 6. SPARKS POINT, MD.
- 7. MIDDLTOWN, O.

- 8. WORKERS, MASS.
- 9. CANTON, O.
- 10. PHILADELPHIA, PA.
- 11. GALVESTON, TEX.
- 12. MASSACHUSETTS, O.
- 13. CANTONVILLE, PA.
- 14. EVANSTON, ILL.
- 15. LOANIN, O.
- 16. MARION, O.

- 17. TOLSON, O.
- 18. BETHLEHEM, PA.
- 19. PHILADELPHIA, PA.
- 20. NEW YORK, N.Y.
- 21. EVANSTON, ILL.
- 22. MIDDLTOWN, O.
- 23. BETHLEHEM, PA.

- 24. STEELTON, PA.
- 25. DALLAS, TEX.
- 26. RICHMOND, VA.
- 27. EVANSTON, ILL.
- 28. WASHINGTON, D.C.
- 29. MIDDLTOWN, CONN.
- 30. MINNIE, IND.

- 31. LOUIS, MO.
- 32. KANSAS CITY, MO.
- 33. MOBILE, ALA.
- 34. MOBILE, ALA.
- 35. NEW ORLEANS, LA.
- 36. BAYTOWN, TEX.
- 37. ST. LOUIS, MO.

- 38. CONRAD, MISS.
- 39. HOUSTON, TEX.
- 40. GARRETT, TEX.
- 41. LONG BEACH, CAL.
- 42. LOS ANGELES, CAL.
- 43. SAN ANTONIO, TEX.
- 44. SAN DIEGO, CAL.

- 45. SAN FRANCISCO, CAL.
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- 115. MASSACHUSETTS, O.
- 116. CANTONVILLE, PA.
- 117. EVANSTON, ILL.
- 118. LOANIN, O.
- 119. MARION, O.

○ All scales in present
• Basing points
• Plants of Republic
• Steel Corporation
• Plants of Republic Steel
+ International Steel
+ International Steel



Republic Steel

REPUBLIC MANUFACTURING DIVISION • MISSISSIPPI STEEL PRODUCTS DIVISION
UNION DRAWN STEEL DIVISION
STEEL AND TUBES, INC. • TUBES COMPANY

REPUBLIC STEEL CORPORATION
DISTRICT OFFICES
PITTSBURGH, PA.
CINCINNATI, OH.
BIRMINGHAM, ALA.
CLEVELAND, OH.
PITTSBURGH, PA.
SPARKS POINT, MD.
MIDDLTOWN, O.

20 PLANTS TO SERVE YOU
PITTSBURGH, PA.
CINCINNATI, OH.
BIRMINGHAM, ALA.
CLEVELAND, OH.
PITTSBURGH, PA.
SPARKS POINT, MD.
MIDDLTOWN, O.

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
12/6	Navy S&A	4980 Ord				Plates	79,500#	\$1,950.68	Otis Steel	12/28 A/C Lower Price.
12/6	Navy S&A	4960 Eng				Alloy Bars	30,000#	1,651.00	Tinklen Roller	12/28 " Lower Price.
11/23	Navy Norf	188 (1939)	N1818-36448	20,215#	\$707.52	Strip				12/21 " Only Bidder.*
12/14	Navy S&A	500-740 C&R	64485	4,375#	5,338.72	Gratings STS	10,895#	8,936.36	Midvale	" Lower Price.*
						" STS	34,188#	23,931.60	Midvale	" Lower Price.*

End of Fourth Quarter.

COMPANY: AMERICAN STEEL AND WIRE COMPANY

12/21	Navy	2297	58727	25,696#	\$12,209.50	Rope	3,600#	\$1,866.00	MacWhyte	By Lot A/C Tie Bids.
11/23	Navy	2023	59611	36,900#	1,450.00	Rope				By Lot A/C Tie Bids.
						Nails	10,000#	350.00	Oshlern	A/C Lower Price.
						Nails	32,800#	1,385.00	Steel & Wire Prod	" Lower Price.
						Nails	191,800#	7,500.00	Wickwire	" Lower Price.
							10,000#	350.00	May Hdwe	By Lot A/C Tie Bids.
3/15	Navy	2888	610259	37,000'	23,684.00	Cable	6,000#	250.00	Continental	A/C Lower Price.
						Cable	8,000'	8,556.00	Anacanda	By Lot A/C Tie Bids.
						Cable	38,500'	24,374.00	Rockbestos	By Lot A/C Tie Bids.
						Cable	37,500'	23,659.50	Collyer	By Lot A/C Tie Bids.
						Cable	37,500'	23,990.50	Habirshaw	By Lot A/C Tie Bids.
						Cable	37,500'	23,990.50	Okonite	By Lot A/C Tie Bids.
						Cable	10,000'	2,850.00	Grn. Cable	By Lot A/C Tie Bids.
3/4	Navy	2873	60025	800'	1,033.00	Cable	24,000'	324.00	Boston	A/C Lower Price.
						Cable	1,200'	35.64	Anacanda	By Lot A/C Tie Bids.
2	Navy	900-1552	59519	12,214#	3,153.00	Rope				A/C Only Bidder.
2/16	Navy	9899	53625	6,000'	1,272.00	Cable				" Lower Price.
						Cable	7,000'	128.80	U. S. Rub. Prod.	" Lower Price.
						Cable	112,500'	15,206.40	Simplex	" Lower Price.
						Cable		170.50	G. Elec.	" Lower Price.
1/7	Navy	2411	58856	5,600#	10,500.00	Strand				" Lower Price.
4/19	Navy	3210				Cable	80,000'	380.00	Collyer	" Lower Price.
4/1	Navy	3065				Cable	1,000'	1,900.75	Cramell Nug & K.	" Lower Price.
4/1	Navy	3162				Cable	4,000'	4,068.50	Williamsburg	" Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
12/29	Wash. N. Y. d.	470	4152	200#	\$41.50	Mag. Wire.				A/C Lower Price.
1/11	Wash. N. Y. d.	1100	32766	100#	17.47	Strand.		\$1,303.80	Noland Co.	A/C Lower Price.
1/19	Nor. N. Y. d.					Wire.				A/C Lower Price.
1/20	Nor. N. Y. d.	588				Cable.		100.20	Kennecott	Lower Price.
1/25	Wash. N. Y. d.	700				Cable.		717.20	Goodman	Lower Price.
1/27	Wash. N. Y. d.	842				Cable.		182.00	Roebbing	Lower Price.
	Wash. N. Y. d.	63-A				Rope.		177.91	Horne Lighting	Lower Price.
1/30	N. S. D.	8334				Rope.		37.23	Henson	Lower Price.
1/31	Wash. N. Y. d.	844	42049	350#	114.01	Wire.		420.00	Mill Factor	Lower Price.
1/21	U S M C	488		20#	7.92	Bale Ties				Lower Price.
						Tacks				Lower Price.
1/13	N. S. D.	8306				Rope		8.00	Levinson & Luntly	Lower Price.
1/17	Wash. N. Y. d.	614				Rope		78.73	MacWhyrte	Lower Price.
1/20	Wash. N. Y. d.	810				Wires		28.23	Am. Spiral Spr.	Lower Price.
4/8	Navy. Acad.	2239				Cable.		249.00	Wickwire Spencer	Lower Price.
12/1	Nor. N. Y. d.	414				Rope		66.30	Anacoma	By Lot A/C Tie Bids.
12/30	Nor. N. Y. d.	453				Cable.		323.00	Coast Cable	A/C Lower Price.
1/10	Nor. P. Fac.	1-F				Cable.		300	Goodman Elec.	Lower Price.
12/7	N. S. D.	8006		800'	84.50	Cable.		49.40	Mill Factor	Lower Price.
12/21	Wash. N. Y. d.	341				Rope		420.00	Am. Elec. Sup.	Lower Price.
	Wash. N. Y. d.	1				Cable		2,308.90	Roebbing Elec.	Delivery.
1/5	Wash. N. Y. d.	691				Mag. Wire		43.86	Lee Elec.	A/C Lower Price.
12/16	Navy. Acad.	1674				Cord.		177.60	Roebbing	A/C Lower Price.
12/16	Nor. N. Y. d.	440				Cable.		304.50	Roebbing	By Lot A/C Tie Bids.
12/9	Nor. N. Y. d.	863				Rope		4,573.63	Roebbing	A/C Delivery.
11/30	Nor. N. Y. d.	864				Rope		22.50	Roebbing	By Lot A/C Tie Bids.
12/28	Nor. N. Y. d.	925				Ropes		247.50	Roebbing	By Lot A/C Tie Bids.
4/14	Wash. N. Y. d.	1216				Wires		73.55	Hagard	A/C Lower Price.
4/14	Wash. N. Y. d.	1225				Bars.		79.58	G. E. Sup. Corp.	A/C Lower Price.
4/4	N. S. D.	8803				Wire		128.23	Imperial	Lower Price.
1/26	Wash. N. Y. d.	528	42028	222#	638.00	Strand ss		450.00		Lower Price.
4/4	Nor. P. Fac.	61-D				Cable		1,890.00	Gen. Elec.	Lower Price.
2/2	Nor. N. Y. d.	1442				Rope		399.00	Roebbing	Delivery.
3/16	Nor. N. Y. d.	1552				Mag. Wire		54.00	Westinghouse	Lower Price.
4/5	Nor. P. Fac.	1-Y				Bars		67.76	Consolidated St. Whse Co.	Lower Price.
						Mag. Wire		55.83	New Eng. Elec.	Lower Price.
3/28	Nor. N. Y. d.	1558				Cable		138.00	Goodman	Lower Price.
3/9	Nor. N. Y. d.	1410								

Bid and Award Record, U. S. Government Purchases, 1939—Continued
COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
1/12	Eng. Sch.	978-38-42	633	76#	\$11.10	Rope				A/C Lower Price.
3/10	War.		48594	8, 150'	2, 756.75	Cable			G. E.	" Lower Price.
4/13	Com. of D. C.			266#	36.90	Rope	500'	\$11.35		" Lower Price.
4/15	Com. of D. C.		14594			Clips	30#	4.45	Gen. Sup. & Equip.	" Lower Price.
3/20	Com. of D. C.		14337	3, 620#	167.56	Fencing				" Lower Price.
3/15	Com. of D. C.					Cable	450'	400.60	Home	" Lower Price.
1/18	Com. of D. C.					Rope	865#	173.50	Noland	" Lower Price.
2/23	Com. of D. C.		12286	850#	53.97	Rope	26#	11.25	Hazard	" Lower Price.
2/23	Com. of D. C.		11832	1, 000'	19.00	Wire				" Lower Price.
2/9	Com. of D. C.					Cord	40, 000'	285.00	Amor. Elec.	" Lower Price.
2/1	Com. of D. C.					Rope	460#	103.20	Roebling	" Lower Price.
4/20	Gov. Print.	51304	6578	3, 500#	513.55	BB Wire				A/C Lower Price.
2/14	Gov. Print.	50411				Rope	164	13.70	Roebling	" Lower Price.
2/14	Gov. Print.	49887				BB Wire	500#	66.25	Walker	" Lower Price.
2/18	Gov. Print.	49674				Rope	1, 008#	153.60	Mill Factor	" Lower Price.
2/18	Gov. Print.	48506	5812	30#	12.20	Rope				" Lower Price.
1/14	Gov. Print.	46946				Wire	1, 000#	95.10	St. & Wire Prod.	" Lower Price.
1/15	Gov. Print.	45333				BB Wire	1, 000#	154.50	Amor. Ch. & Cable	" Lower Price.
12/20	Gov. Print.		22598	375#	49.68	BB Wire	1, 500#	170.00	Walker	By Lot A/C Tie Bids.
2/8	Agriculture	Beltsville				Gages		225.00	Walker	By Lot A/C Tie Bids.
2/8	Agriculture	1899				Wire	9, 575#	381.54	Nickols Hdwe.	A/C Lower Price.
2/11	Agriculture	1450	2936	70, 840#	3, 543.54	Fencing				" Lower Price.
3/1	Agriculture	1630				Posts	59, 252#	3, 315.06	Gen. St. Prod.	" Lower Price.
2/23	Agriculture	1583				Wire BB	1, 000#	37.50	Walker	" Lower Price.
1/14	Agriculture	1142				Fencing	86, 070#	3, 474.55	Chas. Field	" Lower Price.
1/13	Agriculture	1199				Fencing	1, 020#	107.70	Clay Hdwe.	" Lower Price.
12/28	Agriculture	1091				Wire	131, 935#	5, 530.40	Continental St.	" Lower Price.
	Agriculture	Beltsville				Fencing	9, 500#	390.00	Robertson	" Lower Price.
2/4	U. S. C.		67606	60#	26.11	Fencing				" Lower Price.
2/4	U. S. C.		1026	90#	15.35	BB Wire				" Lower Price.
2/24	Fed. Reform.		20198	1, 050#	414.40	Cable	910'	511.42	Graybar	A/C Lower Price.
2/24	Fed. Reform.					Cable	2, 600'	788.40	Bishop	" Lower Price.
2/7	T. V. A.					Cable	220'	81.84	Providence	" Lower Price.
12/21	Vets. Adm.	142300	38-1900	200'	34.84	Cable	475'	119.04	Home	" Lower Price.

4/13	Post Office	1891	166	16, 500#	009. 70	Screw Stock	331, 7	3, 568. 10	Elliot Bros.	" Lower Price.
4/13	Post Office	1899				Strip	600#	30. 40	Cold Fin. St. Co.	" Lower Price.
4/6	Post Office	1857				Rods	7, 200#	290. 00	Cavert Wire Co.	" Lower Price.
3/9	Post Office	1727				Ties	2, 000#	2, 934. 00	Dennman & Davis	" Lower Price.
2/28	Post Office	1705				Strip	2, 000#	83. 00	Roebeling	" Lower Price.
1/31	Post Office	1542				Screw Stock	1, 000#	10, 391. 00	Roebeling	" Lower Price.
1/31	Post Office	1543				Strip	2, 880#	119. 00	Cavert Wire Co.	" Lower Price.
1/3	Post Office	1391				Ties				" Lower Price.
	Geol. Survey					Cable				" Lower Price.
	Interior.									" Lower Price.
4/20	Geol. Survey					Cable				" Lower Price.
	Geol. Survey					Cable				" Lower Price.
	Nat. Park					Fabric	4, 200#	144. 40	Rosslyn	" Delivery.
4/11	Interior		1347	1, 250'	86. 75	Cable	105, 750'	389. 37	Gold Seal	" Lower Price.
	Nat'l Park		1025	91#	25. 44	Cord				" Lower Price.
	Nat'l Park					Rope				" Lower Price.
2/7	Geol. Survey					Cable				" Lower Price.
	Geol. Survey		4773	580'	66. 06	Cable				" Lower Price.
	Geol. Survey			540'	64. 80	Cable				" Lower Price.
2/26	Nat'l Park					Cord				" Lower Price.
	Geol. Survey					Cable	9, 000'	314. 10	Westinghouse	By Lot A/C Tie Bid.
1/21	Geol. Survey					Cable				A/C Lower Price.
1/5	Nat'l Park					Cord				" Lower Price.
	Nat'l Park					Rope	300'	147. 00	Simplex	" Delivery.
1/5	Nat'l Park					Rope	24, 225#	4, 154. 00	MacWhyte	" Lower Price.
2/14	Commerce	28943				Rope	3, 150#	530. 00	B & B	" Lower Price.
3/21	Treas. Pro.	3213				Cord	10, 000'	174. 50	Baitinger	" Lower Price.
1/13	Treas. Pro.	3712				Cable				" Lower Price.
3/21	Treas. Pro.	11963				Cord				" Lower Price.
3/21	Treas. Pro.	8484				Cord				" Lower Price.
3/15	Treas. Pro.	12823				Rope				" Lower Price.
3/17	Eng. & Print.		45011	8#	2. 16	Cable	50, 000'	9, 691. 00	Habirshaw	" Lower Price.
3/18	Treas. Pro.	3203				Cord	15, 000'	165. 00	Amer. Elec.	" Lower Price.
3/11	Treas. Pro.	12812				Cord	17, 000'	277. 10	Westinghouse	" Lower Price.
2/17	Treas. Pro.	12447				Cord	15, 300'	800. 00	Amer. Elec.	" Lower Price.
12/21	Eng. & Print.					Rope	101#	65. 00	B & B	" Lower Price.
	Treas. Pro.	6661				Springs	26#	17. 50	Cuyahoga Sp. Co.	By Lot A/C Tie Bid.
2/4	Treas. Pro.	6515				Cord	8, 000'	58. 40	Gold Seal	A/C Lower Price.
2/8	Eng. & Print.					Rope	970#	503. 82	Rochester Ropes	" Lower Price.
1/20	Treas. Pro.	2920				Fence	4, 480#	209. 44	Beknap Hdwe.	" Lower Price.
12/15	Treas. Pro.	4747				Wire				" Lower Price.
3/31	Treas. Pro.	3263				Rope				" Lower Price.
	Eng. & Print.					B B Wire				" Lower Price.
4/14	Eng. & Print.					Springs	20#	10. 35	Cuyahoga Spr. Co.	" Lower Price.
1/28	Const. Guard	58				Cord	32, 000'	295. 20	Paramite	" Lower Price.
4/6	G. S. O.	52018				Rope	4, 000'	40. 09	East Coast	" Lower Price.
4/3	N. Sup. Depot	5039				Cord	1, 000'	11. 45	Baitenger	" Lower Price.
5/6	Treasury	3503				Tape				" Lower Price.
4/18	Vet. Admin.	31-467				Cable				" Lower Price.
						B B Wire				By Lot A/C Tie Bid.
						Plain Wire				A/C Lower Bid.
						Cord	5, 000#	465. 90	Steel & Wire Prod.	5/16 A/C Lower Price.
						Cable	30, 000'	124. 50	Roebeling	5/13 " Lower Price.
							30, 000'	117. 00	Mohawk Elec. Sales	5/16 " Lower Price.
							100'	188. 40	Graybar	5/13 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing Date	Department Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
4/26	Navy—S&A	3245	60637	47, 205#	\$2, 626.68	Plain Wire				5/12 A/C Lower Price.
5/13	Navy—Park Ser	Phoned	1188	600#	56.30	Strand				5/14 " Only Bidder.
5/3	Wash. Navy	1277	N171s-42890	360#	110.40	Strand				5/16 By Lot—A/C Tie Bid.
5/2	Interior	11964-F	I-14271	9, 593#	499.31	Fencing				5/11 A/C Only Bidder.
5/7	I. C. C.	Phoned	DP-1634	80#	11.13	B B Wire				5/14 " Only Bidder.
4/28	Treasury	9001-OM-4-22	52194	13#	3.85	Rope	225#	\$891.00	Taylor Davis Inc.	5/17 " Only Bidder.
5/13	War Dept.	6141-38-19				Fabric	600'	325.80	Doubladay Hill	5/19 " Lower Price.
5/14	Comm. D. C.					Cable	12, 647#	502.87	Keystone S & W Co.	5/19 " Lower Price.
4/19	Agriculture	2093				Barbed Wire & Staples				
5/5	Comm. D. C.					Rope	160#	131.00	Roebling	5/19 " Lower Price.
5/9	Wash. Navy	1290				Elec. Wire	56#	34.00	Rochester Ropes	5/19 " Delivery.
5/9	Norfolk N. Yd.	13-1681-NSAF					600'	316.66	General Cable Co.	5/19 " Lower Price.
5/16	Comm. D. C.					Rope	186#	105.60	Noland Co.	5/19 " Lower Price.
5/13	Comm. D. C.	52190				Plain Wire	500#	21.00	American Automatic Sales	5/23 " Lower Price.
5/17	Gov. Print.	3411				Tele. Wire	3, 000'	29.91		5/23 " Lower Price.
5/16	Gov. Print.	52500				Cable	1, 900'	264.48	Home Lighting	5/23 " Lower Price.
5/13	Navy—S&A	3391				B B Wire	500#	81.40	E. H. Walker	5/23 By Lot—A/C Tie Bids.
5/3	Navy—S&A	3290				Strand	4, 925#	9, 240.00	Macwhyle Co.	5/23 By Lot—A/C Tie Bids.
						Rope	27#	16.80	Roebling	5/23 By Lot—A/C Tie Bids.
						Rope	65, 472#	15, 245.80	Hazard Wire Rope	5/23 A/C Lower Price.
						Rope	248, 000#	39, 547.32	Macwhyle Co.	5/23 " Lower Price.
						Rope	14, 500#	1, 638.80	Union W R Corp.	5/23 " Lower Price.
						Rope	12, 500#	1, 678.80	Pacific W R Co.	5/23 " Lower Price.
						Rope	10, 000'	1, 202.49	Lee Elec. Co.	5/20 " Lower Price.
						Cord	40, 000'	84.20	Westinghouse Elec.	5/20 " Lower Price.
						Springs	30#	234.00	Union Spr. Mfg. Co.	5/20 " Lower Price.
						Mag. Wire	106#	29.31	Graybar Elec. Co.	5/20 " Lower Price.
						Barbed Wire & Staples	18, 146#	811.46	Keystone S & W Co.	5/20 " Lower Price.
4/26	Navy—S&A	3385				Cable	86, 000'	4, 995.60	Imperial Elec. Supply Co.	5/12 " Lower Price.
3/22	Navy—S&A	3019				Bars & Strip	100, 300#	4, 328.54	Keystone Drawn Steel Co.	5/12 " Lower Price.
						Bars & Strip	65, 000#	5, 869.50	Stanley Works Div.	5/12 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
4/5	Navy—S & A.	3107				Cord.	11, 100'	\$2, 745. 00	Germantown Elec. Sup- ply Co.	6/3 A/C Lower Price.
5/5	War.	E-17334-5 & 6				Cord.	5, 000'	50. 00	Graybar Elec. Co.	6/3 " Lower Price.
5/17	Treasury.	13074				Cord.	27, 000'	325. 00	Westinghouse.	6/3 " Lower Price.
						Cord.	1, 000'	5. 20	G E. Sup. Corp.	6/3 " Lower Price.
						Cord.	2, 000'	17. 00	Germantown Elec. Sup- ply Co.	6/3 " Lower Price.
5/12	Norfolk N.Y.d.	942				Cable	3, 100'	387. 50	Graybar Elec. Co.	6/2 " Lower Price.
6/8	Wash. Navy	1380				Rope	1, 600#	461. 76	Graybar Elec. Co.	6/2 " Lower Price.
5/13	Treasury	13862				Cable	200'	59. 60	Graybar Elec. Co.	6/19 " Lower Price.
						Trolley Wr.	889#	136. 28	Providence Ins. Wire Co.	6/3 " Lower Price.
5/28	Treasury	11783			\$22. 00	Rope				6/11 " Only Bidder.
5/27	Agriculture	2549		11#	479. 59	Fencing				6/13 " Only Bidder.
6/9	Agriculture	1106-OM		8, 714#	285. 18	Fencing				6/9 " Only Bidder.
5/20	Treasury	1106-OM		5, 984#	1. 42	Rope				6/8 " Only Bidder.
5/27	Norfolk N.Y.d.	1806		4#	37. 40	Rope				6/2 " Lower Price.
6/3	Commerce	29228		30#	15. 00	Rope				6/9 " Lower Price.
6/14	Eng'r. School			19#	18. 15	Rope				6/14 " Lower Price.
	Eng'r. School			60#						
6/6	Wash. Navy	1388				Clips	105#	83. 00	American Hoise & Der- rick Co.	6/14 " Lower Price.
6/10	Wash. Navy	1461				Cable	400'	272. 00	Louis Elec. Co.	6/14 " Lower Price.
6/13	Wash. Navy	869				Springs	42#	46. 00	Chas. Fischer Spring Co.	6/14 " Lower Price.
5/18	Justice	1453				Nails	3, 300#	125. 79	Bluefield Sup. Co.	6/14 " Lower Price.
5/3	Navy—S & A.	3548				Cable	750'	1, 681. 62	Okoxite	6/16 By Lot—A/C Tie Bids
6/2	Marine Corp.	843				Strand.	764#	78. 20	Gertler Elec Sup. Co.	6/16 A/C Lower Price.
6/7	Marine Corp.	842				Nails	2, 000#	70. 80	Barber & Ross Co.	6/16 " Lower Price.
						Nails	600#	40. 95	Steel & Wire Prod.	6/16 " Lower Price.
5/20	Agriculture	USDA-2391				Copper Wire	1, 328#	191. 90	Copperweld Steel Co.	6/21 " Lower Price.
6/10	Agriculture	USDA-2371				Galv. Iron Wire	3, 145#	159. 10	Home Lighting	6/21 " Lower Price.
						Fencing	8, 884#	378. 00	Young & Van Hard- Ware Supply Co.	6/21 " Lower Price.
6/7	Wash. N.Y.d.	36-1487				Cable	1, 000'	315. 00	Germantown Elec. Sup- ply Co.	6/21 " Lower Price.
6/6	Nav. Powder F	1-K-NSAF				Stainless Weld- ing Wire.	200#	222. 00	Williams & Co.	6/16 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
6/6	Treasury Pro. Div.	14252-SP-6-6- 38				Wire	300'	\$6.30	Home Lighting Co.	6/30 A/C Lower Price.
6/21	Wash. N. Yd.	863				Cable	1,000'	471.00	Gold Seal Elec. Supply Co.	6/29 " Lower Price.
6/22	Wash. N. Yd.	Req. 907-NSA				Cable	310'	610.14	Home Lighting Co.	6/29 " Lower Price.
						Cable	2,180'	1,724.51	Gold Seal Elec. Supply Co.	6/29 " Lower Price.
6/22	Wash. N. Yd.	923				Bars	1,173#	65.22	Cold Finished Steel Sales Co.	6/29 " Lower Price.
6/20	Treasury Pro. Div.	14585SP-6-20- 38				Cord	37#	33.40	Roebbing	6/30 A/C Lower Price.
6/6	Comm. D. C.					Cable	31,560'	4,688.02	Home Lighting Co.	7/1 A/C Lower Price.
						Cable	780'	91.65	Gold Seal Elec. Supply Co.	7/1 " Lower Price.
6/25	Arch. of Capi- tol.		3722	100#	\$40.00	Copper Wire	1,422'	244.22	Providence	7/1 " Lower Price
6/10	Navy S & A	3588				Bars	1,000#	157.80	E. H. Walker	6/30 " Lower Price
6/21	Agriculture	3102	61630	40T.	6,056.10	B B Wire	500#	76.40	E. H. Walker	6/30 By Lot A/C Tie Bids.
6/17	Treasury Eng. & Print.					B B Wire				6/30 A/C Lower Price.
6/13	Commerce	29271				Cable	580'	168.80	Natl Elec. Prod. Corp.	7/1 " Lower Price.
5/27	Agriculture	2545				Cable	300'	55.20	Roebbing	7/1 " Lower Price.
5/31	Wash. Navy Yd.	838				Bale Ties	8,500#	475.00	Lamb & Reed Lumber Co.	6/30 " Lower Price.
6/7	Navy S & A	3565				Springs	35#	110.00	Amer. Locomotive Co.	6/29 " Specifications.
6/23	Navy Supply	9258				Rope	4,770#	5,867.82	Roebbing	6/28 By Lot A/C Tie Bids.
	Devot.					Rope	4,620#	5,472.42	Macbryde	6/28 A/C Lower Price.
6/24	Fed. Reform. Camp	38-559				Rope	2,160#	249.00	Bethlehem	6/40 " Lower Price.
						Posts	7,962#	287.40	Brown Fence & Wire Company	6/30 " Lower Price.
7/5	Wash. N. Yd.	36-S-NSA	36-S-39	68#	17.29	Posts	1,368#	49.92	Steel & Wire Prod. Company.	6/30 " Lower Price.
6/23	Wash. N. Yd.	1500				Wire				7/6 " Lower Price.
						Cable	1,000'	72.50	Gen. Electric	7/6 Lowest Complete Bid- der

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded U.S.		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
6/13	Coast Guard	8-8-117	CG-81-113	95,000#	\$29,420.00	Cable	52,000#	\$38,440.00	Okonite	7/21 By Lot A/C Tie Bids.
						Cable	50,000#	16,725.00	Gen Elec.	7/21 By Lot A/C Tie Bids.
						Cable	95,000#	23,912.50	Simplex	7/21 By Lot A/C Tie Bids.
						Cable	29,385.00#	1,404.28	Gen. Cable	7/21 By Lot A/C Tie Bids.
6/27	Interior	3858				Fencing	31,638#	1,470.31	Bethlehem	7/20 A/C Lower Price. K
6/27	Gov. Print.	54516				BB Wire	44,637#	1,000#	Inland Steel Co.	7/20 " Lower Price.
7/11	Naval Sup.	9728				Wire	1,200#	170.30	Walker	7/20 " Lower Price.
	Depot.					Rope	1,830#	270.00	Roebling	7/20 " Lower Price.
7/1	Treasury	4130-S				Cord	4,000#	105.80	Home Lighting	7/25 " Lower Price.
7/12	Treasury	417-OM-7-5	4967	24#	14.94	Cord	4,500#	128.25	Baltenger	7/25 " Lower Price.
7/19	Justice	1524				Rope	1,200#	39.24	Roebling	7/27 " Only Bidder.
7/19	Gov. of Dis of Col.					Wire	1,300#	11.88	J. J. Weller & Sons	7/26 " Lower Price.
6/27	Coast Guard	8-8-123				Rope	1,030#	200.00	Rochester Ropes	7/26 " Lower Price.
6/17	Commerce	29315				Cord	4,900#	709.20	Anaconda	7/26 " Lower Price.
7/13	Naval Sup.	9351				Cable	33,000#	6,015.00	Bishop	7/26 " Lower Price.
	Depot.					Wire	2,400#	92.40	Wickwire Bros.	7/27 " Lower Price.
6/17	Agriculture	USDA-3128	70366A	8,080#	407.20	Posts	5,825#	342.80	Schabery & Dietr.	7/29 " Lower Price.
7/18	Comm. of DC		1480	1,860#	1,160.02	Fence & Gate	1,969#	101.52	Bussey-Penn Co	7/29 " Lower Price.
7/15	Navy	dated 7/11		300#	39.00	Cable				7/29 By Lot A/C Tie Bids.
7/29	Arch. of Cap.	3768				Cold R. Bars	927#	7,631.78	Jones & Laughlin	7/30 A/C Only Bidder.
7/25	Naval P. Fac.	1-A-NSAF				Cold R. Bars	3,323#	139.83	Keystone	8/4 " Lower Price.
7/19	Agriculture	USDA-3245				Rope	107#	5,820.56	Roebling	8/3 By Lot A/C Tie Bids.
	Engr. Bd. War	dated 7/29				Electric Wire	15,000#	304.90	U. S. Rubber Prod.	8/4 A/C Lower Price.
	Dept.		4767	200#	9.90	Braided Wire	57,863#	2,159.43	Salt Lake Hdwe Co.	8/8 By Lot A/C Tie Bids.
	Wash. N. Yd.	36-NSA-4311				Wire				8/8 A/C Only Bidder.
8/3	Nat'l Pk Ser.	36-S-753		60#	40.80	Rope				8/8 A/C Only Bidder.
	Interior	172		91#	33.12	Rope				8/10 " Only Bidder.
8/11	Wash. N. Yd.	36-107		2#	5.40	Rope	714#	147.60	Wire Rope Corp. of Amer	8/15 " Lower Price.
		Verbal Inc.	36-S-925			Binding Wire				8/15 " Only Bidder.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
8/22	Treasury CG	8-9-8				Cable	31,000'	\$9,207.00	Simplex	9/1 By Lot A/C Tie Bids.
8/23	Nav. Sup.	SPM-4-514-S				Cable	107,000'	34,677.00	Okonite	9/1 By Lot A/C Tie Bids.
	War Eng'ns.	4993		500'	\$50.25	Wire	4,000'	1,955.00	Gen. Cable	9/1 By Lot A/C Tie Bids.
8/12	Interior	dated 8/5				Wire	400#	17.86	Taylor Parker Co	8/31 A/C Lower Price.
8/31	Govt. Print. Office	57745	1434	1,148#	169.40	Rope	1,915#	383.04	Broderick & Bascom	9/3 A/C Only Bidder.
8/12	Bur. of Engr. and Print.	Dated 8/2				Rope				9/6 A/C Lower Price.
8/22	Interior	3919	J-516	40,000#	1,160.50	Steel Binding	6,375#	620.58	Roebling	9/6 By Lot A/C Tie Bids.
						Barbed Wire & Fence & Post.	42,458#	1,334.84	N. W. Steel & Wire	9/7 A/C Discount.
						Rope				9/6 A/C Lower Price.
8/25	Treasury	2345	13991	28#	21.00	Rope				9/8 " Only Bidder.
	Treasury	4456				Elec. Wire	16,000'	286.00	Baltenger Elec. Co.	9/8 " Lower Price.
9/2	Treasury	2330	13988	2#	9.50	Rope				9/8 " Only Bidder.
9/2	Justice	1580	Jic-6633	1,700#	72.49	Nails				9/8 " Lower Price.
8/12	Navy	4065				Rope	48T	8,735.45	E. H. Edwards	10/9 " Lower Price.
						Rope	2,970#	298.18	Pacific W. R. Co	10/9 " Lower Price.
9/1	Naval Sup. Depot.	9671				Cable	2,300'	124.50	Gertler Elec. Co	9/12 " Lower Price.
						Wire	13,250'	685.12	Amer. Elec. Sup.	9/12 " Only Bidder.
9/1	Treasury	2331	14437	100#	18.70	Elec. Wire				9/12 " Lower Price.
	Naval Sup. Depot.	9681				Rope	480#	390.00	Jno. A. Roebling	9/12 " Lower Price.
8/25	Naval Sup. Depot.	9600				Strand	800#			9/15 A/C Only Bidder.
						Fence				9/14 " Lower Bidder.
8/31	Treasury	2778	15419	125#	6.03	Rope	427#	105.70	Rochester Ropes	9/15 " Only Bidder.
8/31	Norfolk Yd	13-220	39-2807	50' (14#)	2.06	Aircraft & Cord				9/15 By Lot A/C Tie Bids.
8/9	Commerce	4075	62831	18,060'	14,980.00	Cable	2,000'	1,336.50	Rockbestos	9/15 " " "
	Navy					Cable	4,000'	6,150.00	Gen. Elec. Co	9/15 " " "
						Cable	1,500'	567.00	Habirshaw	9/15 " " "
						Cable	500'	63.00	Watlers & Martin	9/15 " " "
						Nails	1,000#	110.00	Inferstate Elec.	9/11 A/C Lower Price.
8/5	Norfolk Yd	13-97				Elec. Wire	10,000'	50.00	Gaffney Krossa	9/15 " Lower Price.
8/25	Treasury	4444				Elec. Wire	18,000'	120.60	Garfield Elec. Co	9/15 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
9/22	Navy	3805				Cu. Wire	954#	\$153.21	Gertler	9/29 A/C Lower Price.
9/20	Navy	4359				Aircraft Cord	40,000'	5,430.00	Upson Waltoo	9/29 By Lot " Tie Bids.
						"	500'	193.00	Roebbling	9/29 By Lot " Tie Bids.
						"	500'	399.50	Roebbling	9/29 By Lot " Tie Bids.
9/13	Navy	4299				Insul. Cable	2,500'	1,920.00	Tudor Elec. Supply	9/26 A/C Lower Price.
5/13	Navy	3383	60865	1,000#	\$878.00	Rope	2,700#	2,133.00	Hazard	5/23 By Lot A/C Tie Bids.
						Rope	4,300#	6,680.50	MacWhytte	5/23 By Lot A/C Tie Bids.
						Cable	1,500'	1,693.50	Habirshaw	5/23 By Lot A/C Tie Bids.
8/12	Navy	4116	62939	7,000'	4,058.00	Cable	40,000'	20,280.00	Anaconda	9/17 By Lot A/C Tie Bids.
						"	4,000'	3,002.00	Collyer	9/17 By Lot A/C Tie Bids.
						"	20,000'	11,160.00	Rochester	9/17 By Lot A/C Tie Bids.
						"	6,500'	5,097.00	Gen. Elec.	9/17 By Lot A/C Tie Bids.
						"	9,000'	5,571.00	Gen. Cable	9/17 By Lot A/C Tie Bids.
						"	3,000'	5,054.00	Okonite	9/17 By Lot A/C Tie Bids.
7/19	Navy	3956	62249	29,800# 34,000#	1,015.00 1,230.00	Nails	100#	5.00	Col. Steel	9/9 A/C Lower Price.
						"	186,250#	8,245.00	Wickwire Bros	9/9 " Lower Price.
						"	17,500#	625.00	Shepard Sply. Co.	9/9 " Lower Price.
						End of third quarter				
5/28	War. Engrs.	4321	4321	4,995#	894.00	Rope				10/1 A/C Lower Price.
9/22	Navy, Norf.	9737				Poultry Netting	3,800#	248.40	Roebbling	9/30 A/C Lower Price.
9/26	Comm. of D.C.					Clips	50#	25.00		10/3 A/C Lower Price.
9/27	Commerce	Inv. 29600	Order 38-3589	1,431#	148.50	Sounding Wire				10/5 " Lower Price.
9/30	Navy Norf.	13-3586	" Oct. 4	2#	45.76	Stainless St.				10/4 By Lot A/C Tie Bids.
9/26	Navy Wash.	36-300				Rope	412#			
						Plow Steel Rope		88.37	MacWhytte	10/5 A/C Lower Price & Lot.
9/26	Navy Wash.	227				Rope	660#	151.80	Kendall & Co.	10/5 A/C Specifications.
9/26	Navy Norf.	13-246-NSAF				Cu. Wire	700'	21.91	Goodman Supply	10/5 " Delivery.
						Cu. Wire	300'	7.08	Goodman Supply	10/5 " Delivery.
						Cu. Cable	250'	52.65	Goodman Supply	10/5 " Delivery.
						Cu. Cable	250'	11.58	Goodman Supply	10/5 " Delivery.
						Cu. Cable	1,000'	404.00	Goodman Elec. Sup.	10/3 " Lower Price.
9/23	Navy Norf.	228				Cu. Cable	1,260'	93.68	Westinghouse	10/3 " Lower Price.

9/28	Navy Norf... Interstate Commerce.	9796.	DP-2694.	60#	10.81	Soft Black Wire. Wire.	4,000#	186.00	Youngstown Sh & T.	10/6 " Discount. 10/7 A/C Only Bidder.
9/22	Navy Norf...	9801.		200'	47.60	Elec. Wire.	4,450'	378.75	Greene-Wolf Co.	9/30 A/C Lower Price. 9/30 A/C Lower Price.
8/30	Norfolk N. Yd.	130	N181s-34996 dated 10/3	9,651#	1,710.16	Ch. Wire.	567#	164.10	Hazard	10/10 A/C Lower Price. 10/10 A/C Only Bidder.
9/30	Gov. Pr. Off.	58783		750'	52.55	Cable.	1,000#	145.30	E. H. Walker.	10/9 By Lot A/C Tie Bids. 10/9 By Lot A/C Tie Bids.
9/28	Pro. Div.	4568.				Book binder	5,000'	98.25	Shell Elec. Supp.	10/10 A/C Lower Price.
9/29	Navy Norf...	232				Lighting Wire	10,125'	1,906.97	Goodman Elec. Sup.	10/10 " Lower Price.
9/22	Pro. Div.	4572-s-9-22-38.				Elec. Wire & Cord.	21,000'	140.30	Shell Elec. Sup.	10/4 " Lower Price.
	Pro. Div.		Pur. Ord. 21370.	30#	6.11	Book binder				" Only Bidder.
9/29	Navy Norf...	221		280'	19.18	Ch. Cable.	10,150'	22,218.10	Gen. Electric.	10/15 By Lot A/C Tie Bids. 10/13 A/C Only Bidder.
10/17	Nav. Pr. Gr.	38	dated 10/13 N178s-2062.	3,000' 3,000'	4,864.20	Cable. Cable.				10/18 A/C Lower Price.
	Interior.	236	dated 10/12 N181s-35077 P. O. 4555	120' 35,370' 3,948#	10.96 37,155.58 162.62	Weatherpr. Wire.				10/12 " Only Bidder. 10/19 " Lower Price.
9/30	Navy, Norf... D. C. Gov.	237		30#	5.52	Wire.				10/20 A/C Only Bidder.
10/20	Treasury	237	P. O. 22481.	7,900'	4,067.89	Elec. Cable.	1,540#	268.80	Rochester Ropes	10/19 " Lower Price.
9/30	Navy, Norf...	299	N181s-35100.			Wire Rope.	1,800'	189.72	Shawmut	10/10 A/C Delivery.
10/19	Navy Wash.	29621				Wire Rope.	945#	80.00	Rochester Ropes	10/11 " Lower Price.
10/10	DC Gov.	1642				Nails	3,600#	173.50	Johnson & Grinn	10/21 " Delivery.
10/13	Justice	1642				Elec. Cable.	375'	803.87	Germantown Supply	10/19 " Lower Price.
10/10	Navy Wash.	32 Y & D.		60#	29.00	Cable & Glamps.				10/19 " Only Bidder.
10/10	Gov. Pr. Off.	Inq. 59309				Elev. Cable.	918#	266.40	Amer. Chain & Cab	10/23 By Lot A/C Tie Bids.
10/12	Interior.					Elec. Cable.	350'	24.22	Gen. Electric	10/21 By Lot A/C Tie Bids.
	Navy, Wash.	36-s-N S A - 72-Y.	B/L I-731753	150'	23.25	Ellsworth	500'	3.50	Lee Elec. Co.	10/21 A/C Lower Price.
10/11	Geological Survey.	8835.	P. O. 48879.	150'	52.35	Elec. Cable.	1,000'	18.70	I. Bailey	10/21 " Lower Price.
	War, Eng.					Elec. Cable.	110'	6.39	Roebbling	10/6 " Lower Price.
						Cu. Wire.	2#			10/4 " Only Bidder.
10/11	Treasury	Inv. 12218-SP- 10-18-38.	23365.	134#	5.00	Elec. Cable.	500'	42.60	Okonite	10/19 A/C Lower Price.
10/8	Treasury					Tag Wire	25#	42.90	Phosphor-Ironze Smelt- ing Co.	10/25 A/C Only Bidder.
10/25	Navy, Norf...	9955.				Phos. - Bronze Rope.	25,200#	819.00	Pittsburgh Steel	10/25 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
10/25 9/8	Treasury	13-189	P. O. 23454	47#	\$17.50	Phos. Br. Rope	1,500'	\$324.00	Germanatown Elec	10/26 A/C Only Bidder.
10/24	Navy, Norf	60100				Elec. Cable	777#	173.00	Bethlehem	10/26 Lower Price.
10/19	Gov. Pr. Off	13-365				Elec. Rope	500'	196.50	Craybar Elec. Co.	10/31 By Lot A/C Tie Bids.
10/3	Navy, Norf	27				Cut. Elec. Cable	1,050'	1,034.25	Simplex Wire & C.	10/27 A/C Lower Price.
10/17	Navy, Norf	9892				Rope	240#	173.20	Rochester Ropes	10/19 By Lot A/C Tie Bids.
8/28	Navy, Wash	237				Stainless Steel	350,000'	2,605.17	Elec. Indus. Sup	10/25 A/C Lower Price.
10/14	Interior			100#	50.05	Elec. Wire	243,000'	2,156.75	Bauschinger Elec	10/25 By Lot A/C Tie Bids.
10/20	Navy, Norf	9921				Elec. Wire	2,790#	376.00	R. W. Hudgins	10/28 A/C Lower Price.
10/17	Navy, Wash	36-312				Elec. Cable	500'	251.60	Elec. Ind. Sup.	11/1 " "
10/14	Nat. Zoo Pk.	4659				Elec. Cable			Lowell Ins. Wire	10/31 " "
10/12	Treasury	3298	39-359	748#	33.78	Elec. Wire	45,000'	630.00	Lowell Ins. Wire	11/3 " "
10/24	Treasury	4712				Telep. Wire	3,500'	52.50	Elec. Wholesale	11/3 " "
10/12	Treasury	910-2155				Elec. Wire	10,000'	83.50	G. E. Sup. Corp.	11/3 " "
10/24	Navy	63572		13,000#	2,196.08	Mine Sweep ing	20,000'	130.00	Lowell Ins. Wire	11/3 " "
11/2	Navy, Wash	36-474				Bale Wire	10,000#	333.00	Wickwire	11/3 By lot A/C Tie Bids.
10/11	Navy, Norf	9862				Rope	270#	201.60	Roebling	11/3 A/C Lower Price.
11/2	Navy, Wash	36-484	N171s-44452	35,000'	297.50	Elec. Cable				11/3 By Lot A/C Tie Bids.
10/31	War-Engr	8873 & 9876	48890	1,191#	198.20	Rope	13,910#	518.98	Concrete Steel	10/25 A/C Lower Price.
10/11	Navy, Norf	13-316				Mesh	960#	168.00	R. W. Hudgins	10/19 A/C Lower Price.
10/5	USDA	3796	order d a t e 11/4.	3,000'	93.00	Wire Rope	500#	227.10	Norfolk, Va.	10/19 By Lot A/C Tie Bids.
						Black Cable	2,000'	41.80	Douglasday Hill	11/4 A/C Lower Price.
						Elec. Cable	4,000'	130.80	Nat. Elec. Prox	11/4 " "
						Elec. Cable	20,000'	2,214.44	Imp. Elec. Sup	11/4 A/C Lower Price.
						Elec. Cable	2,760'	984.62	Goodman Elec.	10/25 " "
9/25	Navy, Norf	234				Cable	2,000'	40.00	American Elec.	11/7 " "
10/25	USM Corps.	219-883				Cable	2,000'	88.20	Indus. Equip. Corp.	11/7 " "
10/24	Gov. D. C.	220-854				Cable	3,375'	167.63	Gold Seal	11/7 " "
10/21	Interior					Cable	875'	324.63	Lee Elec. Co.	11/1 " "
10/25	U. S. Engr.	4548				Cable	1,229'	47.30	Rumsey Elec. Co.	11/1 " "
10/28	Navy, Norf	13-343				Rope	1,688#	297.00	Rochester Ropes	11/8 " "
10/13	Bur. Engr.					Wire	2,100#	57.35	R. W. Hudgins & S.	11/7 " "
10/27	Navy, Norf	13-374				Elec. Wire	300'	60.00	Westinghouse	10/26 " "
						Rope	234#	58.80	Hazard	11/7 By Lot A/C Tie Bids.

10/25	Navy, Norf.	13-390	P. O. 26309.	5#	25.40	Stainless Rope.	47#	172.80	Roebling	11/3 By Lot A/C Tie Bids.
10/26	Treasury	34	N1818-36073.	21,000#	705.00	Rope.				11/9 A/C Only Bidder.
	Navy, Norf.			600#	25.80	Mesh.				11/9 A/C Lower Price.
	NPG, Dahl- gren.		P. O. 472.			Black Wire.				11/1 " Only Bidder.
10/26	Treasury	60404				Wire.	1,000#	130.30	E. H. Walker	10/31 By Lot A/C Tie Bids.
	Navy, Norf.	13-545.	N1818-36100.	7,035#	2,353.20	Rope.				11/4 A/C Delivery.
10/31	Navy, Norf.	SPM-4-15248.				Nails.	150#	25.50	Atlas Tack Corp.	11/9 A/C Lower Price.
10/31	Treasury	60676				Wire.	5,000#	755.50	E. H. Walker	11/9 By Lot A/C Tie Bids.
11/9	Navy Norf.	195-91-PWA.				Mesh.	20T	1,162.00	Pgh. Steel Co.	11/9 A/C Lower Price.
10/27	War.	6141-39-25.				Mesh.	5T	410.40	Consolidated	11/8 " Lower Price.
10/26	Navy, Wash.	3-6-S-N S A (90-M).				Cable.	90#	22.50	G. E. Supply Co.	11/10 " Lower Price.
11/4	Agriculture	3986				Ekblender Wire.	1,500#	229.20	E. H. Walker	11/8 " Discount.
10/6	Treasury	16089				Elec. Cable.	500'	7.05	Kuber Elec. Co.	11/14 " Lower Price.
						Elec. Cable.	2,000'	43.20	Kuber Elec. Co.	11/14 " Lower Price.
						Elec. Cable.	3,000'	30.00	I. Bally	11/14 " Lower Price.
11/15	Navy	900-2204.	63780.	7,258#	1,929.60	Rope.			Upson Walton.	11/15 " Only Bidder.
11/10	Treasury	16380				Rope.	1,350#	298.00		11/15 " Lower Price.
11/10	Marine Corps.	276 Req. 1068.				Rope.	800#	130.00	Rochester Ropes.	11/15 " Lower Price.
11/13	Navy Norf.	129 " 72				Nails	3,000#	112.60	Edw. L. Hand	11/17 " Lower Price.
10/18	Agriculture	USDA 3851.				Rope.	2,454#	450.00	R. W. Hudgins	11/12 " Lower Price.
						Fencing & Barbed Wire.	8,136#	332.37	Loeb Hdwe Co.	11/18 " Lower Price.
11/7	USMC	238 Req 971.				Fence Wire.	342#	12.89	BeKnap Hwe	11/17 " Lower Price.
						Rope.	46#	19.20	Roebling	11/17 By Lot A/C Tie Bids.
						Fence Wire.	500#	17.05	Amer. Chain & Cable	11/17 A/C Lower Price.
10/19	Navy Norf.	13-375.				Trolley Wire.	3,500#	142.00	Roebling	11/17 " Lower Price.
10/25	Navy Norf.	376				Rope	2,609#	439.52	G. E. Supply Corp.	11/16 " Lower Price.
11/10	Govt. D. C.		4714	16,800#	644.00	Mesh	4,908#	840.00	Wire Rope Corp.	11/8 " Lower Price.
11/4	Naval Sup. Depot.	SPN-4-1651s				Mesh.			Truscon Steel	11/16 A/C Lower Price.
10/25	Navy Wash.	4543	63791.	12,480#	590.90	Wire.	4,200#	191.00		11/12 " Delivery.
				2,780#	160.79	Wire.				11/17 " Lower Price.
				1,200#	280.04	Wire.				11/17 " Only Bidder.
				480#	121.56	Wire.				11/17 " Only Bidder.
10/31	Navy Norf.	403	1513.	58'	4.93	Rope	11,042#	1,697.76	Rochester Ropes.	11/16 " Delivery.
	Arch. of Cap.			45#	16.00	Cable				11/14 " Only Bidder.
11/8	Justice	1656				Rope			Gec. Worthington	11/8 " Lower Price.
11/2	Coast Guard.	s-8-4698.				Nails	1,800#	60.84		11/21 " Lower Price.
11/10	Navy, Wash.	63				Rope	860#	460.00	Roebling	11/18 " Lower Price.
11/3	Navy Norf.	313				Cable	1,800#	2,000.98	Crescent Inc.	11/22 " Lower Price.
11/3	Treasury	3343	28315.	27#	76.43	Rope	2,454#	450.00	R. W. Hudgins	11/14 " Lower Price.
11/22	Navy, Wash.	36-582	N1718-44664.	7,100#	351.45	Posts				11/23 " Only Bidder.
	Naval Pr. Gr		481	150#	7.57	Wire				11/23 " Lower Price.
11/25	War Dept.	QM-6141-39- 44.				Mesh.	31,500#	1,012.50	Wheeling Corru	11/25 " Lower Price.
11/17	Navy	156-174.				Rope			R. W. Hudgins	11/28 " Lower Price.
11/22	Navy, Wash.	36-559.				Strand	4,980#	825.00	Graybar	11/30 " Lower Price.
							719#	69.00		

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: AMERICAN STEEL AND WIRE COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
11/4	Gov. D. C.					L & P Cable	40'	\$296.72	Gerthel	11/22 A/C Lower Price.
11/7	Gov. D. C.					Cable	2,000'	30.90	Gold Seal	11/22 A/C Lower Price.
11/8	Gov. D. C.					Cable	13,000'	111.80	Elec. Ind. Equip.	11/22 " Lower Price.
11/4	Navy	4707 Wash				Rope	5,639#	4,923.00	Wire Rope Corp.	11/25 " Lower Price.
11/21	Naval P. Fac	47-NSAF				Welding Elec- trodes.	200#	179.20	Maurath, Inc.	11/30 By Lot A/C Tie Bids.
10/28	Navy, Wash.	4622				Bars	77,040#	3,106.13	Keystone	11/14 A/C Lower Price.
						Cold R. Strip	17 T	1,422.90	Am. Shim Steel	11/14 " Lower Price.
						CR Strip	33 T	268.86	Am. Shim Steel	11/14 " Lower Price.
						CR Strip	20 T	3,099.92	S. Weinstein	11/14 " Lower Price.
						CR Strip	11,000#	365.06	Am. Tube & Stamp	11/14 " Lower Price.
						Cable				12/2 By Lot A/C Tie Bids.
11/22	Treasury CG	8-9-58	TCG-29424	46,000'	\$20,804.00	Cable	4,000'	1,151.40	General Cable	12/2 By Lot A/C Tie Bids.
						Cable	1,000'	122.55	Simplex	12/2 By Lot A/C Tie Bids.
11/29	Marine Corps.	302-Req. 1145		406#	14.32	Nails				11/30 A/C Lower Price.
				106#	4.00	Staples				11/30 A/C Lower Price.
				25 T	1,732.86	Rope	760#	114.93	Noland Co.	11/30 A/C Lower Price.
10/25	Agriculture	3939	A1S-18340			Barbed Wire				123 A/C Lower Price.
						Staples	800#	28.28	Mistates Steel	123 A/C Lower Price.
11/21	Treasury	4857				Cable	2,500'	100.50	Gold Seal	122 A/C Lower Price.
10/10	Treasury	16142				Cable	250'	30.00	Shall Elec. Supply	122 A/C Lower Price.
11/4	Treasury	4814				Cable	10,000'	85.00	Gold Seal	122 A/C Lower Price.
						Cable	30,000'	247.50	Lowell Ins. Wire	122 A/C Lower Price.
11/25	Treasury	4882				Cable	5,000'	144.50	Amer. Elec.	11/25 A/C Lower Price.
10/28	Treasury Interior					Cable	214,500'	2,100.15	Rosbling	11/30 " Lower Price.
						Cable	3,000'	253.08	Gold Seal	11/30 " Lower Price.
11/18	Navy	4850				Rope	22,575#	8,275.00	Rosbling	11/25 " Lower Price.
11/18	Treasury		T-2042	7,016#	682.64	Metal Binding				11/— By Lot A/C Tie Bids.
						Tape				
11/18	Navy Norf	13-529	N-181-s-36255	300'	22.50	Cable	600#	318.00	Simplex	11/2 A/C Lower Price.
11/25	Navy Norf	SF N 4-1355-s				Rope				12/5 " Lower Price.
		Sch. 233.								
11/10	Naval Acad.	1880 Req. 77				Cable	1,400'	1,956.60	Simplex	11/6 By Lot A/C Tie Bids.
11/30	Navy, Wash.	424				Rope	4,312#	572.00	Wire Rope Corp.	12/6 A/C Lower Price.
						Musie Wire	10#	5.13	Rosbling	11/22 " Lower Price.
11/28	Navy, Wash.	36-s-NSA(3A)				Cable	70,000'	483.00	Amer. Elec. Sup.	12/8 " Lower Price.
						Rope				11/29 " Delivery.
11/6	Navy Norf	36-594	SP-13-4356	2,142#	432.00	Wire				11/8 " Lower Price.
	Navy—Wash.			2,109#	17.46	Rope	714#	120.00	Upton Walton	11/8 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: UNITED STATES STEEL PRODUCTS COMPANY

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
12/21	Navy.....	2297.....	58729.....	100#	\$27.00	Rope	770#	\$1,086.00	Amer. Ch. & Cable	By Lot A/C Tie Bids.
						Rope	572#	554.00	Roebbing	By Lot A/C Tie Bids.
3/11	Navy.....	2978.....				Piling	720'	2,744.65	Inland	By Lot A/C Tie Bids.
3/15	Navy.....	2995.....				Cable	30,000#	1,227.19	Auto. Elec. Sales	AC Lower Price.
2/1	Navy.....	2916.....				Mesh	1,972'	2,032.00	Roebbing	" Lower Price.
2/11	Navy.....	2904.....				Cable	1,972'	3,140.41	Germanatown Elec	" Lower Price.
2/8	Navy.....	2754.....				Piling	144T	7,545.60	Inland	" Lower Price.
2/8	Navy.....	2776.....				Sheets	75,000#	2,821.75	Inland	" Lower Price.
1/11	Navy.....	2458.....				Sheets	36,000#	1,700.00	J. & L.	" Lower Price.
3/31	Navy.....	NSD s-8906				Cable	2,900'	903.20	Gen. Cable	" Lower Price.
12/22	Navy.....		N 1898-21306	4,000'	1,273.13	Fence Wire				" Lower Price.
3/25	Agriculture.....	1845.....	12521.....	1,300#	57.20	Nails				" Lower Price.
1/13	Pan. Canal.....	3315.....	430.....	87,500#	3,015.58	Sheets	30,000#	1,548.00	Youngstown	" Lower Price.
						Wire	22,000#	991.80	Ryerson	" Lower Price.
4/25	Pan. Canal.....	3347.....	2684.....	3,000#	425.00	Bars, Rail				" Lower Price.
						Sheets	307,324#	7,895.05	Colo. Fuel & Iron	" Lower Price.
						Sheets	163,684#	4,200.00	Central	" Lower Price.
						Sheets	509,960#	13,986.67	J. & L.	" Lower Price.
						Bars	1,000#	63.60	Crucible	" Lower Price.
						Pipe	76,000#	4,273.94	Albert & Davidson	" Lower Price.
						Cable	2,000'	141.87	S. Weinstein	" Lower Price.
						Sheets	10,413#	336.90	Ryerson	" Lower Price.
4/6	Pan. Canal.....	3342.....	2395.....	2,112#	142.00	Netting				" Lower Price.
						Wire Cloth	2,070#	673.50	Roebbing	" Lower Price.
4/20	Pan. Canal.....	3346.....	2669.....	1,000#	55.50	Nails				" Lower Price.
						Nails	2,500#	100.00	Steel & W. Prod.	" Lower Price.
						Nails	600#	105.00	Glenden Bros.	" Lower Price.
						Wire	400#	63.41	Copperweld	" Lower Price.
						Mag. Wire	180#	52.95	Home Lighting	" Lower Price.
						Cord	5,000'	615.00	Graybar	" Lower Price.
4/18	Pan. Canal.....	3345.....	2565.....	450#	100.15	Wire				" Lower Price.
						Sheets	30,000#	1,467.00	Newport Rolling M	" Lower Price.
						Rails	500#	750.00	Bethlehem	" Lower Price.
						Wire	8,000#	331.20	Bethlehem	" Lower Price.
						Rope	29,600#	5,418.80	J. A. Hunt Co.	" Lower Price.
						Rope	6,840#	1,180.00	Union Wire Rope	" Lower Price.
3/2	Pan. Canal.....	3338.....				Strl. Steel	137,300#	6,398.08	Belmont Iron Wks	" Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: UNITED STATES STEEL PRODUCTS COMPANY—Continued

[illegible]

6/2	Navy S & A.....	3564 (Aero).....	61501.....	5, 000#.....	2, 202.50.....	Stainless Shts. & Pits. Stainless Shts. & Pits.	5, 000#.....	2, 202.50.....	Crucible Steel Co.....	6/22 A/C Lower Price.
6/15	Pan. Canal.....	3358.....				Nails.....	7, 000#.....	390.75.....	Steel & Wire Prod. Company.....	6/25 A/C Lower Price.
						Rope.....	3, 000#.....	278.00.....	J. A. Hunt Company.....	6/25 By Lot A/C Tie Bids.
						Rope.....	2, 780#.....	362.00.....	Bethlehem.....	6/25 By Lot A/C Tie Bids.
						Rope.....	1, 550#.....	155.00.....	C. J. Rainer & Co.....	6/25 By Lot A/C Tie Bids.
						Rope.....	6, 060#.....	752.00.....	J. A. Hunt Company.....	6/25 By Lot A/C Tie Bids.
						Rope.....	320#.....	280.00.....	S. Weinstein Supply Company.....	6/25 By Lot A/C Tie Bids.
						Copper Wire.....	300#.....	46.88.....	Copperweld Steel Com-pany.....	6/25 A/C Lower Price.
						Steel Wire.....	2, 000#.....	84.90.....	Steel & Wire Products Co.....	6/25 A/C Lower Price.
6/24	Pan. Canal.....	R-22842-A.....	W-4052.....	200# 4, 740#	38.40 151.73	Steel Wire.....				6/25 " Only Bidder.
						Flats.....	4, 000#.....	113.60.....	Bethlehem.....	6/30 " Lower Price.
6/7	Navy S & A.....	3365.....	61451.....	735#	955.60	Rope.....	795#.....	955.60.....	Amer. Chain & Cable Co.....	6/30 " Lower Price.
						Rope.....	450#.....	720.40.....	Macwhyrte Co.....	6/27 By Lot A/C Tie Bids.
						Channels.....	114, 584#.....	2, 964.35.....	Celo Fuel & Iron Co.....	6/27 By Lot A/C Tie Bids.
						Plates.....	76, 653#.....	2, 069.34.....	Central Iron & Steel Co.....	6/30 " Lower Price.
						Pipe.....	7, 340#.....	460.60.....	Bean Plumbing Supply Co.....	6/30 " Lower Price.
6/10	Pan. Canal.....	3357.....				Pipe.....	7, 260#.....	374.20.....	Albert & Davidson Pipe Supply Co.....	6/30 " Lower Price.
6/24	Pan. Canal.....	23022-A/24.....				Rope.....	873#.....	1, 200.00.....	Rochester Ropes, Inc.....	6/30 " Lower Price.
6/24	Pan. Canal.....	23621.....				Magnet Wire.....	500#.....	\$124.50.....	Graybar Elec. Co.....	6/30 By Lot A/C Tie Bids.
6/22	Pan. Canal.....	3360.....				Comp. Joints.....	600#.....	435.00.....	Bethlehem.....	6/30 A/C Specifications.
						Frogs.....	30, 240#.....	1, 341.00.....	Pettibone Mulliken Corp.....	6/30 " Lower Price.
6/10	Navy S & A.....	3388.....	61631.....	19, 950#	\$1, 708.66	Frogs.....	43, 580#.....	1, 854.00.....	Frog, Switch & Mfg. Co.....	6/30 " Lower Price.
6/22	Navy S & A.....	9262.....				Bars.....	49T.....	2, 433.55.....	Central Iron & Steel.....	6/30 By Lot A/C Tie Bids.
7/11	Pan. Canal.....	R-29879-L/31.....	4057.....	1, 000#	61.35	Plates.....				6/30 A/C Lower Price.
		3357/27-28.....				Ridge Roll.....	9, 000'.....	797.00.....	Boston Insulated Wire & Cable Co.....	7/5 " Only Bidder.
7/6	Pan. Canal.....	22621-AE/6.....				Cable.....	3, 000'.....	393.00.....	Home Lighting.....	7/14 " Lower Price.
7/6	Naval Supply Depot.....	9304.....				Rope.....	• 480#.....	252.00.....	S. Weinstein Co.....	7/14 By Lot A/C Tie Bids.
7/13	Pan. Canal.....	3357.....				Nails.....	1, 200#.....	54.00.....	Steel & Wire Prod.....	7/19 A/C Lower Price.
6/7	Navy.....	3370.....	N Os-61510.....	4, 388#	1, 309.76	Bars Stainless Steel.....				6/29 " Lower Price.
7/11	Pan. Canal.....	3365.....				Struc. St.....	58, 000#.....	2, 727.74.....	Belmont Iron Wks.....	7/24 " Lower Price.
7/14	N. Supply De- pot.....	9380.....	N 1898-22260.....	3, 024#	130.32	Mesh.....				7/15 " Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued

COMPANY: UNITED STATES STEEL PRODUCTS COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
7/8	Pan. Canal	3364				Bars Fencing Rope Cable Cord Cord Cord Mag. Wire Cord	250T 12T 28T 10,000' 50,000' 20,000' 5,000' 3,000# 7,000'	\$12,037.50 1,674.64 6,048.00 1,970.00 865.00 182.32 52.50 76.40 151.19	Youngstown Anchor Post Fence Bethlehem Roebbing Arcraft, Fixtures Eagle Mich. Chandelier G. E. Supply Corp. Baitinger	7/25 A/C Lower Price. 7/25 " Lower Price. 7/25 " Lower Price. 7/25 " Lower Price. 7/25 " Lower Price. 7/25 " Lower Price. 7/25 " Lower Price. 7/27 A/C Lower Price.
7/20	Naval Sup. Depot.	9401				Channels Rope Cement Cable Cable Beams Netting Cu. Cloth Staples Cu. Tacks Fab. Str. St. Bars Plates Sheets Pipe Rein. Bars	68T 6,570# 25 Bbl. 1,305' 6,005' 4,824# 2,266# 14,400# 2,300# 800# 190T 46,000# 16,000# 114T 18,025# 115T 19,627#	3,388.61 724.00 124.75 2,073.06 4,681.32 4,725.00 135.47 288.40 20,976.00 1,200.00 483.25 6,152.39 548.99 8,014.36 477.29	Jones & Laughlin Henry Walke Medusa Eagle Germantown Elec. Spargo Wire Co. Franklin Hdwe Co. Ntl. Screw & Mfg. Ind. Iron Wks Ltd. Colo. Fuel & Iron Inland St. Co. Gen. Iron & Steel Bethlehem Herman Goldner Carroll McCreary	7/26 " Lower Price. 7/26 By Lot A/C Tie Bids. 7/26 A/C Lower Price. 7/26 " Lower Price. 8/4 " Lower Price. 8/8 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price.
7/29	Pan. Canal	3362				Cu. Tacks Fab. Str. St. Bars Plates Sheets Pipe Rein. Bars	2,300# 800# 190T 46,000# 16,000# 114T 18,025# 115T 19,627#	135.47 288.40 20,976.00 1,200.00 483.25 6,152.39 548.99 8,014.36 477.29	Spargo Wire Co. Franklin Hdwe Co. Ntl. Screw & Mfg. Ind. Iron Wks Ltd. Colo. Fuel & Iron Inland St. Co. Gen. Iron & Steel Bethlehem Herman Goldner Carroll McCreary	8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price. 8/9 " Lower Price.
7/29	N. Sup. De- pot, Nor- folk, Va.	9459				Cement [Bbls.] Reinf. Bars Roofing Strl. Steel Bars & Shapes Cable Elec. Wire Tele. Wire Mag. Wire Cable	1,250# 1,12T 90T 312T 7,000# 20,000' 100,000' 2,650# 12,500'	2,450.00 557.61 7,528.85 21,558.31 427.82 833.60 860.00 611.00 650.00	Lone Star Cement Va. Steel Co. H. H. Robertson Bethlehem Ross Galv. Wks. G. E. Supply Walker Bros U. S. Elec. Export Gold Seal Elec.	8/16 By Lot A/C Tie Bids. 8/19 A/C Lower Price. 8/22 " Lower Price. 8/22 " Lower Price. 9/17 " Lower Price. 9/17 By Lot A/C Tie Bids. 9/17 A/C Lower Price. 9/17 " Lower Price. 8/22 A/C Lower Price.
8/8	N. Sup. Dep.	9544				Cement [Bbls.] Reinf. Bars Roofing Strl. Steel Bars & Shapes Cable Elec. Wire Tele. Wire Mag. Wire Cable	1,250# 1,12T 90T 312T 7,000# 20,000' 100,000' 2,650# 12,500'	2,450.00 557.61 7,528.85 21,558.31 427.82 833.60 860.00 611.00 650.00	Lone Star Cement Va. Steel Co. H. H. Robertson Bethlehem Ross Galv. Wks. G. E. Supply Walker Bros U. S. Elec. Export Gold Seal Elec.	8/16 By Lot A/C Tie Bids. 8/19 A/C Lower Price. 8/22 " Lower Price. 8/22 " Lower Price. 9/17 " Lower Price. 9/17 By Lot A/C Tie Bids. 9/17 A/C Lower Price. 9/17 " Lower Price. 8/22 A/C Lower Price.
8/11	Pan. Canal	3373				Cement [Bbls.] Reinf. Bars Roofing Strl. Steel Bars & Shapes Cable Elec. Wire Tele. Wire Mag. Wire Cable	1,250# 1,12T 90T 312T 7,000# 20,000' 100,000' 2,650# 12,500'	2,450.00 557.61 7,528.85 21,558.31 427.82 833.60 860.00 611.00 650.00	Lone Star Cement Va. Steel Co. H. H. Robertson Bethlehem Ross Galv. Wks. G. E. Supply Walker Bros U. S. Elec. Export Gold Seal Elec.	8/16 By Lot A/C Tie Bids. 8/19 A/C Lower Price. 8/22 " Lower Price. 8/22 " Lower Price. 9/17 " Lower Price. 9/17 By Lot A/C Tie Bids. 9/17 A/C Lower Price. 9/17 " Lower Price. 8/22 A/C Lower Price.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: UNITED STATES STEEL PRODUCTS COMPANY—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
12/9	Pan. Canal	3402				Rope	570#	\$114.00	Rochester Ropes	12/14 A/C Lower Price.
						Strand	600#	87.00	Ugson Wire	12/14 " Lower Price.
						Nails	620#	86.25	Glendon Bros.	12/14 " Lower Price.
10/20	Pan. Canal	3390				Brads	407	43.84	Atlas Mfg. Corp.	12/14 A/C Lower Price.
						Strl Steel	5,000	6,309.00	Frank M. Weaver	10/27 " Lower Price.
						Cable	150#	3,245.00	Eagle Elec. Co.	10/27 " Lower Price.
9/30	Pan. Canal	3384	W-6250			Magnet Wire	45,000#	1,582.75	Waconia	10/27 " Lower Price.
						Shells	957	4,834.75	Werron Steel Co.	10/4 " Lower Price.
						Plates	387	1,997.61	Central	10/4 " Lower Price.
						Shapes	307	1,984.85	Colorado F & I	10/4 " Lower Price.
						Bars	367	1,903.00	Bethlehem	10/4 A/C Tie Bids.
						Bars	67	340.80	Colorado F & I	10/4 A/C Lower Price.
						CR Bars	7,309#	408.79	Cruelbe	10/4 " Lower Price.
						Billets	35,088#	932.21	A. R. Parly	10/4 " Lower Price.
						Pipe	17,100#	10,177.73	Crucible	10/4 " Lower Price.
						Rails	17,100#	103.69	Crucible	10/4 " Lower Price.
						Wire Rope	5,120#	700.00	Bethlehem	10/4 " Lower Price.
						Rope	46,520#	4,680.00	Macwhyrte	10/4 By Lot A/C Tie Bids.
						Cu Wire	4,000#	700.00	Union Wire Rope	10/4 A/C Lower Price.
						Cable	6,500	1,238.50	Germanatown Elec.	10/4 " Lower Price.
						Elec Wire	110,000	1,917.50	Boston Ins.	10/4 " Lower Price.
						Elec Wire	7,500	950.00	Graybar	10/4 " Lower Price.
						Cover Cloth	18,350#	5,400.00	Boston Ins.	10/4 " Lower Price.
11/7	Pan. Canal	3394	W-6250 7162	55,000# 100# 1,000#	\$1,814.55 45.04 50.50	Nails			Supreme Wire	10/4 " Lower Price.
						Stainless Brs				10/4 " Lower Price.
						Nails	191/2T	1,341.35	Phoenix Iron	11/8 " Delivery.
10/31	Navy, Norf	296				Nails	1,500#	98.85	Wilmington Supply	11/8 " Lower Price.
10/18	Navy, Engr.	4463				STS Bars	2,000	148.00	Madvaie Co.	11/16 By Lot A/C Tie Bids.*
11/10	Pan. Canal	3396				Cable	467	2,165.00	Battenger Elec.	11/19 A/C Lower Price.
						Plates	500#	2,426.91	Watt Steel Co.	11/21 " Lower Price.
11/17	Navy, Norf.	241(39)C&R				Tacks	500#	60.75	Samson & Rowland	11/21 " Lower Price.
11/15	Pan. Canal	3385	N1818-36255	6T	340.80	Channels			Central Iron & St.	11/29 A/C Lower Price.
						Plates	126,244#	3,082.34	Bethlehem	11/29 " Lower Price.
						Plates	52,581#	1,307.43	Bethlehem	11/29 " Lower Price.
						Sheets	7,530#	1,207.06	Bethlehem	11/29 " Lower Price.
						Plats	49T	2,572.00	Colorado Fuel & I.	11/29 " Lower Price.

11/28	Naval	123				Angles	33T	1,584.74	Colorado Fuel & Iron	11/29 A/C	Lower Price.
11/29	Pan. Canal	3395				Pipe	15,000#	589.10	Laclede Steel	11/29	Lower Price.
11/28	Pan. Canal	3397				Bolts	67T	5,273.95	Laclede Steel	11/29	Lower Price.
						H/Tensile Plates	500#	243.50	Bethlehem	11/29	Lower Price.
						Channels	3,000#	103.50	Bethlehem	12/7 A/C Only Bidder.	
						Nails	155,000#	4,051.50	Iron Bros	11/29 A/C	Lower Price.
						Reinf. Bars	50,000#	2,188.75	Morris Wheeler	11/29	Lower Price.
						Stainless Sheets	1,000#	565.70	Amer. Rolling Mill	11/29	Lower Price.
						Tie Plates	325T	15,990.00	Com. & F.	11/29	Lower Price.
						Wire Rope	450#	245.00	J. A. Hill Co.	11/29	Lower Price.
						Wire Rope	440#	120.00	Union Wire Rope	11/29	Lower Price.
						Wire Rope	15,925#	1,795.00	Wire Rope Mfg.	11/29	Lower Price.
						Strand	1,000#	129.00	Roebbing	11/29	Lower Price.
						Cable	1,000'	383.00	Boston Ins. Wire	11/29	Lower Price.
11/2	Pan. Canal	3389				Barre			Coplay	12/20	Lower Price.
						letter 3/22	20,600Bbl	49,000.00		12/19 By Lot A/C Tie Bids.	
12/14	Pan. Canal	3403				Cement			R. W. Geldart	12/15 A/C	Lower Price.
12/12	Pan. Canal	3400				Cu. Cloth	1,000#	297.50	Wickwire Dros	12/15	Lower Price.
						Cu. Tacks	3,273#	460.00		12/15	Lower Price.
						Netting					

End of fourth quarter, 1933.

COMPANY: NATIONAL TUBE COMPANY

4/26	Wash. Navy	36NSA-(99E)				Tubing	200#	\$47.62	Giberson	6/13A/C	Delivery.
4/26	Navy-S&A	3196				Tubing	3,200#	1,709.17	Babecock & Wilcox	5/17 By Lot A/C Tie Bid	
4/28	Wash. Navy	728				Tubing	4,631#	383.63	Greene-Wolfe	5/12 By Lot A/C Tie Bid	
6/10	Navy-S&A	3566				Tubing				6/30 A/C	Lower Price.
6/21	Navy-S&A	3678				Tubing				6/29	Lower Price.
6/15	Wash. Navy	36NSA-1428				Tubing	727#	135.60	Sumnerill Tubing Co.	6/29	Lower Price.
	Yd.					Boiler Tube	5,160#	2,024.38	E. Schwartz Plumbing Co.	6/29	Lower Price.
5/27	Navy-S&A	3524				Seamless Flasks			Bethlehem	7/6	Only Bidder.
6/15	Navy-S&A	500-504				Torpedo Flask	1,519,050#	\$292,110.00	Babecock & Wilcox	7/15	Lower Price.
6/28	Navy-S&A	3749				Forgings	8T	6,372.07	Pittsburgh Steel	7/16	Lower Price.
6/14	Navy-S&A	3600				Tubing	9T	8,511.11	Ohio Seamless	7/29 By Lot A/C Tie Bids.	
7/21	Wash. Navy	984				Tubes	20T	4,006.90		8/24 A/C	Lower Price.
8/5	Navy	3999				Tubing				9/1	Lower Price.
8/2	Navy	4042									

End of third Quarter.

Bid and Award Record, U. S. Government Purchases, 1939—Continued
 COMPANY: CARNEGIE-ILLINOIS STEEL CORPORATION—Continued

Open- ing Date	Department or Bureau	Schedule No.	Order or Con- tract No.	Awarded Us		Material	Awarded Competitors			Remarks
				Tonnage or Quantity	Value		Tonnage or Quantity	Value	Name	
8/5	Navy	4007				Tubing	15T	\$2,972.11	Globe	9/29 A/C Lower Price & By Lot.
9/30	Navy	900-2071				Tubing	15T	2,980.48	Pittsburgh St. Co.	9/29 " Lower Price.
9/2	Navy	4321				Tubing	6T	1,183.17	Ohio Seamless	9/29 " Lower Price.
10/10	Navy, Wash.	36-417				Tubing	54T	11,823.05	Balcock & Wilcox	10/10 " Lower Price.
10/17	Navy, Wash.	36-416				Stainless Tubing	4½T	7,320.60	Carpenter Steel	10/10 " Lower Price.
11/14	Navy, Wash.	36-536				Boiler Tubes	1,600#			10/13 " Lower Price.
11/22	Navy, Wash.	36-539		24T	\$2,474.50	Seamless "	3,622#	135.63	Tubular Sary	10/17 By Lot A/C Tie Bids.
10/14	Navy S & A	4496				Tubing	53T	217.68	Pgh. Steel Co.	11/22 A/C Lower Price.
11/8	Navy S & A	4678				Tubing	20,000#	158.19	Steel Improv Co.	12/6 By Lot A/C Tie Bids.
2/25/38	Navy S & A	500-335		36,000#	17,140.00	Alloy forgings	75,000#	1,066.64	Penn Forge Co.	12/10 A/C Lower Price.
11/15	Navy	4839				Tubing	7T	4,555.20	Mich. Seamless	12/10 " Lower Price.
10/28	Navy	4631				Bombs	85,000#	1,401.31		12/12 " Lower Price.
10/28	Navy	4634				Bombs	79T	26,800.00	Harrisburg Steel	3/8 " Lower Price.
10/28	Navy	4839		30T	100,000.00	Alloy forgings		13,159.19	Shaw-Kudall	12/12 " Lower Price.
10/28	Navy	4839		4 Flask	1,780.00	Flasks				12/ " Only Bidder.
						Forgings	360T	290,000.00	Bethlehem	12/ " Lower Price.
						Forgings	35T	30,446.00	Mitsuba	12/ " Lower Price.
						Forgings	87T	37,130.00	Crucible	12/ " Lower Price.
						Forgings	35T	16,816.00	Steel Improv.	12/ " Lower Price.

End of fourth quarter.

COMPANY: AMERICAN BRIDGE COMPANY

3/4 3/4 5/3	Wash. N. Y'd. Coast Guard Agriculture	1181 1637 2190	42665		75#	\$150.00	Roof Cooler Strl Steel Bridge	60T 33T 17,900#	\$7,547.00 2,803.49 814.00	Lehigh McMannus R./S. McMannus Steel Co.	A/C Lower Price. " Lower Price. " Lower Price.
6/24 6/4	Agriculture Agriculture	3086 3025					Bridge Bridge Bridge	152,000# 200,900# 40,800#	5,025.00 7,844.00 1,438.00	Bethlehem Levinson Steel Co. Phoenix Bridge Co.	" Lower Price. " Lower Price. " Lower Price.
6/30 7/7 7/25	Treasury Coast Guard Commerce	4123 29397	7492		24,000#	1,120.00	Posts Towers Towers	157T 230T	22,308.00 24,434.54	Bethlehem Tulsa Boiler & Mach. Co.	" Lower Price. " Lower Price. " Lower Price.
7/29	Coast Guard						Flag Towers	67,550#	about 4,393.00	Lehigh Struc. St. Co.	" Lower Price.
End of third quarter.											
10/20	War. Off. Eng.	978-39-16					Portable Hi. Way Bridge Auxiliaries	9T	\$2,438.00	Stupp Bros. Bridge	10/22 " Lower Price.
11/15	Navy, Wash.	256	N171s-44436	6 pieces		\$1,062.00	Parts for Elec. Furn.				11/1 " Only Bidder.
	USDA	4027					Hwy. Beam Bridge	31,200#	1,222.00	Phoenix Bridge	12/6 " Lower Price.
	Navy				3,800T	1,224,920.00	Cranes				
	Navy	8785			4,100T	325,940.00	Strl Steel				

* Handwritten.

End of fourth quarter, 1938.

EXHIBIT No. 2212

A price announcement for concrete reinforcing bars by the Carnegie-Illinois Steel Corporation on June 4, 1936, stated:

"* * * In the case of products sold for fabrication for an identified structure * * * the place of delivery is the railroad freight station nearest to the place at which such structure is to be assembled or erected."

280

There is no EXHIBIT No. 2213.

EXHIBIT No. 2214

[Copy]

AUGUST 17, 1935.

Mr. A. K. ANDREWS,
Footes Bay, Ontario, Canada.

DEAR MR. A. K.: It was not definitely decided until late last evening to put into effect for fourth quarter a one price policy allowing the galvanized sheet price to remain at \$3.10 per 100 lb. for #24 gauge base f. o. b. Pittsburgh. A few of the larger interests such as Weirton and Inland were in favor of reducing the price to \$3 base for #24 gauge f. o. b. Pittsburgh but this was finally defeated and it was agreed to allow all prices to remain the same as now in effect.

The announcement of no further jobber allowance after October 1 will be made by Continental on Tuesday of next week after which all mills can announce likewise. We, of course, in the meantime will notify our people which no doubt will be conducive of causing an influx of jobber business for shipment prior to October 1st.

It is my intention to discuss this with Mr. Little this morning so that we will be prepared to take care of the rush that we like others will no doubt have during the month of September.

I discussed the automotive situation with Neil Flora last evening and he informed me that while some little tonnage was placed several weeks ago, nothing more has been done and that all the mills are holding firmly to their prices and are expecting that additional tonnages will have to be placed soon.

I find that our tonnage booked up to last night (Friday) amounted to 2812 tons and this morning's mail brought several additional cars so we are hoping at least to have 3000 tons for this week.

Do hope that your stay in Canada will be pleasant and that you will be greatly benefitted by your vacation.

Sincerely yours,

AAD:GRK

EXHIBIT No. 2215

Registry No. 1116-02

NATIONAL RECOVERY ADMINISTRATION

CODE OF FAIR COMPETITION FOR THE IRON AND STEEL INDUSTRY AS APPROVED
ON AUGUST 19, 1933 BY PRESIDENT ROOSEVELT

1. Deputy Administrator's letter of transmittal to Administrator
2. Executive Order
3. Text of Code

The American Iron and Steel Institute, which presented the Code July 15th, reported that signers of the Code then represented 90% of the total pig-iron and steel-ingot capacity in the United States and that it expected total signatories representing 95% of such capacity.

DESCRIPTIVE OF THE INDUSTRY

The Industry as defined in the Code includes all those producing in the United States pig iron, iron or steel ingots, and rolled or drawn iron or steel products. Purposely excluded from the scope of the Code are other operations and products of iron and steel producers, such as mining of iron ore and coal, transportation,

production of cement and other byproducts, castings, and the bulk of forgings. Included, however, are some iron and steel products, not properly or fully described by the words "rolled or drawn", and which are processed after rolling or drawing by the producing company, such as spikes, tieplates, wire fencing, nails and staples, tin plate, and other coated products.

The following statistics are from the Census of Manufactures, 1929, and 1931 Mimeographed Reports:

	1923	1929	1931
Iron and steel industry (blast furnaces, steel works, and rolling mills):			
Wage earners.....	424,900	420,800	278,100
Total wages.....	\$697,000,000	\$733,000,000	\$358,000,000
Wages per worker.....	\$1,640	\$1,742	\$1,287
Value of product.....	\$4,162,000,000	\$4,137,000,000	\$1,714,000,000
Ratio of wages to value added by manufacture percent.	54.0	45.1	57.4
All other manufacturing industries, wages per worker.....	\$1,234	\$1,293	\$1,102

It is significant that 1923 and not 1929 was the peak year for the Industry in point of value of product, although the greatest production and wage payments were in 1929. Since then the Industry has fully experienced the difficulties of the depression, its operating rate of declining to 15% and lower during late 1932 and early 1933. The low rate of operations coupled with low prices resulted in substantial operating losses for practically all companies. The Industry operated over 50% capacity in July of this year, however.

Attention is directed to the fact that many members of the Code have been operating under its wage provisions since the middle of July, both as to minimum and higher rates.

It should also be remarked that this Industry has been a leader in the "share-the-work" movement since 1929.

SUMMARY AND DISCUSSION OF CODE PROVISIONS

COLLECTIVE BARGAINING

The mandatory clauses of subsection (a) of Section 7, Title I, N. I. R. A., are stated without qualification. Section 2, Art. IV, of the original Code and its companion Schedule relating to "Employee Representation Plans" were withdrawn at the hearing, prior to which these had been subjected to much criticism.

EMPLOYMENT—HOURS AND WAGES

A full study of the hour and wage provisions of the Code is contained in the Report of the Division of Economic Research and Planning, their summary of which is given below:

The Industry employed 421,000 in 1929, 210,000 in 1932, and 272,000 at the end of July 1933. The hours in the Code should allow of a production without undue strain of about 3,580,000 tons per standard month, this being the half-way recovery point from the May 1933 level of 1,916,000 per standard month to the average of 4,516,000 tons for 1929. This will require 62,000,000 man-hours per month, or say, 65,000,000 to provide for seasonal peaks. This could be provided by 417,000 men on a 40-hour week.

Experience shows that, on the average, 10% of the nominal working time is lost through voluntary absences, breakdown, inability to schedule operations perfectly, and lack of sufficient business for particular products to keep the departments for those products busy all the time; that is, with a maximum work week of 40 hours the hours actually worked cannot average over 40 per week, 36 hours is the maximum *effective* work week, or 156 hours per month. $65,000,000 \div 156 = 417,000$.

About 272,000 men were employed at the end of July and working, roughly, 43 hours a week. With a maximum 40-hour week and 36 hours effective, it is estimated that this number would be increased to about 325,000.

Reemployment, in this Industry, with its subdivisions and specialization of labor, can be much larger than would at first appear from the average hours worked. This is because many men will be working considerably longer than the average, and many considerably shorter. As those working longer are brought

down to the Code hours, additional men have to be taken on. But these groups working shorter hours cannot in general double up and release men to the other groups; there are limits to a "share-the-man" movement in the steel industry.

The 8-hour day and 40-hour week will create a great many jobs in cases like the following:

(a) Mill working one 10-hour shift 6 days a week, total of 60 mill-hours per week. The only practicable readjustment would be two 8-hour shifts working 4 or 5 days a week, giving a total of 64 or 80 mill-hours. The number of jobs would be doubled.

(b) Mill working two 10-hour shifts 6 days a week, giving total of 120 mill-hours. The practical readjustment would be three 8-hour shifts working 5 days a week, giving a total of 120 mill-hours. The number of jobs would be increased 50%.

Wages are about half the value added by manufacture.

	1929
Value of steel products.....	\$3, 366, 000, 000
Raw materials.....	1, 904, 000, 000
Value added, steel.....	1, 462, 000, 000
Value added, iron and steel.....	1, 623, 000, 000
Wages (including wages of blast-furnace workers).....	733, 000, 000
Ratio to value added.....percent..	45

Wage rates were much better than average manufacturing wage rates in the period 1921-1930, but were barely up to the rates paid in those industries requiring skilled labor. Steel wages dropped further than others in 1931 and 1932, and fell definitely below skilled wage rates in other industries. Unskilled wage earners (laborers) averaged about 41.4¢ an hour in 1929. The Code minimum rates average about 39.5¢ in the Pittsburgh and Great Lakes regions (average on weighted basis), 35¢ in the Eastern Region, and 26.5¢ in the Southern. Compared with 1929, these vary from a decrease of 16% in the East to an increase of 13% in the South. The Code minimum wages in the Pittsburgh, Great Lakes, and Middle West Regions will be 10% below the 1929 rate. In relation to early 1933, the Code minima represent advances of from 22% (Pittsburgh) to anywhere from 35% to 80% (the South).

The proposed minimum wages vary from 25¢ per hour in the south to 40¢ in Pittsburgh. The necessity for the lower wage in the south lies in the longer freight hauls to principal interior markets, and also in a high mining cost in terms of labor. One man-hour in Alabama produces 0.533 ton of crude iron ore of 20.1% iron content, or 0.107 ton of iron, while one man-hour in Minnesota produces 1.132 tons of crude iron ore of 49.5% iron content, or 0.56 ton of iron. (Figures for 1932; special study by Bureau of Mines.) One man-hour produces 0.413 ton of coal in Alabama, 0.598 in Pennsylvania, 0.810 in Illinois, and 0.731 in West Virginia. In addition, the Alabama coal has to be washed, which reduces the net yield to 0.37 ton.

Another difficulty facing the South is imports. The South normally ships a large part of its output to the Atlantic, Gulf, and Pacific seaboard.

Both these difficulties are reflected in income account and balance sheets, which reveal a definitely poorer financial status than the Northern companies. One Southern company is in default on bond interest and sinking fund.

The decline in wage rates during the depression has been partially cushioned by the concurrent decline in living costs. The 1929 average common labor rate was 41.4¢ and the 1933 rate about 31¢ (estimated on basis of common labor entrance rates of July 1, 1932, which were 31.84 and U. S. Steel recent minimum of 33¢). Living costs early in 1933 were below 70 in terms of 1929=100, so that the 31¢-rate represented in actual purchasing power over 44¢ an hour ($31 \div .70 = 44$), or more than in 1929.

The Code minima, which average about 39¢ an hour, represent about 52¢ an hour in 1929 purchasing power, taking the cost of living as 75% of 1929, to allow for increased costs.

While the hourly wages show up very well indeed on a real wage basis, the weekly wages do not. Employees worked about 54 hours a week in 1929 and often less than 26 in 1932 and early 1933. The unskilled average weekly wage was, therefore, about \$22.40 in 1929 ($\0.414×54) and \$8.05 in 1932 and early 1933 ($\$0.31 \times 26$). (Unskilled workers may have worked longer hours than the average and so have earned more than the above; the National Industrial Conference Board reports unskilled average weekly earnings of \$11.97 in the first four months of 1933.)

	Hourly wages	Hours per week	Weekly earnings	Cost of living	Real wages	Money wages for 1929 pur- chasing power
1. 1929.....	\$0.414	54	\$22.40	100	\$22.40	\$22.40
2. Early 1933.....	.31	26	8.05	70	11.50	15.70
3. Early 1933.....	.31	-----	11.97	70	17.10	15.70
4. July 1933.....	.31	40	12.40	72	17.20	16.10
5. Code.....	.39	36	14.05	75	18.70	16.80
6. Code.....	.39	40	15.60	75	20.80	16.80

NOTE.—National Industrial Conference Board figure of \$11.97 probably not comparable with others.

It will be seen that working for 31¢ an hour for 26 hours gives a weekly purchasing power of only \$11.50 or but slightly more than half 1929. In July 1933 the average work week was above 40 hours. Average weekly money wages were about \$12.40 (before the 15% wage increase on July 15) which represents \$17.20 in 1929 purchasing power. The code rates for 36- and 40-hour weeks, respectively, will give \$14.05 and \$15.60 in money wages and \$18.70 and \$20.80 in 1929 purchasing power.

CHILD LABOR

None of the members of the Code shall employ in or about its plants in the Industry any person under 16 years of age.

MAXIMUM HOURS FOR ALL EMPLOYEES

Not over 40 hours per week average in any 6 months' period.

Not over 48 hours, or more than 6 days, in any one week.

On and after November 1, 1933, if operating at 60% of capacity or more, not over 8 hours per day.

(Exemptions—Executives, those in supervisory and technical work and their staffs, and emergency work.)

The large number of different manufacturing processes, the dependence of each process upon various percentages of highly skilled workmen such as boss rollers and furnace men, and other craftsmen, and the physical hazards caused by untrained men all contribute to the real obstacles in the way of interchangeability of labor, reduction of working time, and absorption of unemployed workers in this Industry. By systematic and consistent training methods, men will be provided for the highly skilled jobs. This will require some time, however, and meanwhile the provisions for averaging hours and for a 48 hour maximum week have been provided to take care of seasonal and peak labor loads. While the foregoing applies principally to the highly skilled workers, it is applicable in lesser degree to the much larger class of semiskilled workers.

MINIMUM RATES OF PAY FOR COMMON LABOR ARE AS FOLLOWS FOR THE WAGE DISTRICTS INDICATED

40¢ PER HOUR

Pittsburgh District
Youngstown Valley District
North Ohio River District
Cleveland District

Chicago District
Detroit-Toledo District
Colorado District

(The above including approximately 60 percent of the Industry.)

39¢ PER HOUR

Utah District

38¢ PER HOUR

Buffalo District

Seattle District

37¢ PER HOUR

Johnstown District
Duluth District
San Francisco District

Canton-Massillon-Mansfield District
South Ohio River District
Indiana Illinois-St. Louis District

35¢ PER HOUR

Eastern District (comprising approxi- Kansas City District
mately north of the State of Virginia Los Angeles District
and East of Altoona, Pennsylvania)

27¢ PER HOUR

Birmingham District (Jefferson County, Alabama).

25¢ PER HOUR

Southern District (all southeastern and south-central United States, except Jefferson County, Alabama)
(Exceptions: Apprentices and Learners.)

All employees receiving on July 14th pay at a rate per hour in excess of the common-labor rates then in effect are to receive a rate of pay per hour which shall be at least 15% above that of July 14th, but not above similar rates in the same district paid by other members who have made the 15% increase.

Piecework to yield on the average not less than the minimum rate per hour for common labor.

While it is apparent from the foregoing summary by the Division of Economic Research and Planning that the Industry as a whole through its wage increases has made a genuine contribution toward the objectives of National Industrial Recovery Act, nevertheless, it should be stated that the Bureau of Economic Research and Planning does not necessarily give approval to the continuation of the wage differentials in the Code for the various districts but desires to study this subject further in the light of pertinent data not now available but which it will collect and examine during the 90-day period of observation.

Exceptions from the hour and wage provisions will be subject to study and recommendations by the Administrator and his representatives during the 90-day observation period.

PRODUCTION AND PRICE PROVISIONS

The production and price provisions of the Code provide for a present limitation on the construction of new furnace capacity and possible future production control by the Directors, both subject to the approval of the President of the United States; together with adherence to listed prices, subject to control by the Directors, with notice of decisions of the Directors to the President of the United States. Prices are to be listed for a considerable number of basing points and charged to include listed prices plus rail freight to the points of delivery.

While the members of the Industry and the Industry Advisor report that the scheme of the Code involves no substantial change from present practices, a number of protests have been made against alleged changes in basing points and against the price provisions of the Code as a whole. Protests have also been made against the control of deductions for transportation costs cheaper than all-rail, against the control of quantity discounts, and against the operation of through rail rates on products fabricated in transit. The protestants have not satisfactorily established their objections to the operation of the Code.

In view of the protests and the far-reaching effects of the provisions of the Code, it seems wise to provide for a 90-day period of experimental observation of the operation of the Code. This period will make it possible to insure that competitive conditions continue to exist in the markets for steel, that competitors and purchasers of steel receive adequate protection, and that the Industry has adequate opportunities for reasonable stabilization of its business. For this purpose, the Code as amended expressly provides that the operation of its provisions shall be subject to scrutiny by the Administrator of the Recovery Act, and one or two representatives appointed by him. These representatives may advise the Directors about the desirability of modifying practices provided for in the Code; and they may further recommend to the President the exercise of his reserved power to cancel the Code.

It is to be observed that in partial compensation for increased labor costs, the Steel Industry seems likely to derive substantial market advantages from the price-stabilization provisions of the Code. While leaders in the Industry indicate that they would gain no advantage by raising present prices, they evidently refer to published official base prices. Members of the Industry have not, as is conceded, been able to secure these prices uniformly under the competitive conditions recently prevailing. On the other hand, it seems likely that these prices will be

firmer, and result in substantial increases in profits, under the influence of provisions requiring publication of base prices and prohibiting concessions contained in the Code. Further, the mere elimination of credit abuses should greatly help the Industry. Stabilization of prices may have a favorable effect on employment and business generally. On the other hand, the operation of the market influences in question must be subjected to careful observation by the representatives of the Administration.

REPORTS AND STATISTICS

As amended, the Code provides for reports and statistics to be furnished the Administrator on production, sales, conditions of employment, prices, and other information necessary for the purpose of the Code (Art. V, Sec. 1; Art. IX, Sec. 5; Sched. E, Sec. 13; Sched. H, Sec. M).

ADMINISTRATION

The Code is to be administered by the Board of Directors of the American Iron and Steel Institute. As finally submitted, recognizing that questions of public interest are or may be involved, provision is made for the Administrator and one or two of his representatives to attend meetings of the Directors, secure information, and make recommendations relating to the administration of the Code and the effectuation of Title I, National Industrial Recovery Act (Art. VI, Sec. 7).

FINDINGS

I have found that—

(a) The Code complies with the pertinent provisions of Title I, National Industrial Recovery Act, including, without limitation, subsection (a) of Sec. 7, and subsection (b) of Sec. 10 thereof.

(b) The American Iron and Steel Institute is truly representative of the Industry and imposes no inequitable restrictions upon admissions to membership.

(c) The Code, as amended and finally submitted, imposes necessary conditions for the protection of consumers, competitors, and employees, will not permit monopolies or monopolistic practices, or eliminate or oppress small enterprises, and will not operate to discriminate against them.

The Code has been approved by the Labor Advisory Board, the Industrial Advisory Board, and the Consumers' Advisory Board.

I have, therefore, recommended approval of the Code, as amended and finally submitted for a period of 90 days, as provided in Sec. 2 of Art. XII thereof.

Respectfully submitted.

K. M. SIMPSON, *Deputy Administrator.*

EXECUTIVE ORDER CODE OF FAIR COMPETITION FOR THE IRON AND STEEL INDUSTRY

An application having been duly made, pursuant to and in full compliance with the provisions of Title I of the National Industrial Recovery Act, approved June 16, 1933, for my approval a Code of Fair Competition for the Iron and Steel Industry, and hearings having been held thereon and the Administrator having rendered his report together with his recommendations and finding with respect thereto, and the Administrator having found that the said Code of Fair Competition complies in all respects with the pertinent provisions of Title I of said Act and that the requirements of clauses (1) and (2) of subsection (a) of Section 3 of the said Act have been met:

Now, therefore, I, Franklin D. Roosevelt, President of the United States, pursuant to the authority vested in me by Title I of the National Industrial Recovery Act, approved June 16, 1933, and otherwise, do adopt and approve the report, recommendations, and findings of the Administrator and do order that the said Code of Fair Competition be, and it is hereby, approved.

(Signed) FRANKLIN D. ROOSEVELT.

Approval Recommended.

(Signed) HUGH S. JOHNSON,
Administrator.

THE WHITE HOUSE,
August 19, 1933.

CODE OF FAIR COMPETITION OF THE IRON AND STEEL INDUSTRY

ARTICLE I—DEFINITIONS

Wherever used in this Code or in any schedule appertaining hereto the terms hereinafter in this Article and in Schedule E annexed hereto defined shall, unless the context shall otherwise clearly indicate, have the respective meanings hereinafter in this Article and in such Schedule E set forth. The definition of any such term in the singular shall apply to the use of such term in the plural and vice versa.

SECTION 1. The term "the United States" means and includes all of the territory of the United States of America on the North American continent.

SEC. 2. The term "the President" means the President of the United States of America.

SEC. 3. The term "products" means only pig iron, iron or steel ingots, and the rolled or drawn iron or steel products which are generally named in Schedule F to the Code as at the time in effect and standard Tee rails of more than 60 pounds per yard, angle bars and rail joints, or any of such products.

SEC. 4. The term "the Industry" means and includes the business of producing in the United States and selling products, or any of them.

SEC. 5. The term "member of the Industry" means and includes any person, firm, association or corporation operating a plant or plants in the United States for the production of products, or any of them.

SEC. 6. The term "the Code" means and includes this Code and all schedules annexed hereto as originally approved by the President and all amendments hereof and thereof made as hereinafter in Article XII provided.

SEC. 7. The term "member of the Code" means any member of the Industry who shall have become a member of the Code as hereinafter in Section 3 of Article III provided.

SEC. 8. The term "the Institute" means American Iron and Steel Institute, a New York membership corporation.

SEC. 9. The term "the Board of Directors" means the Board of Directors (as from time to time constituted) of the Institute.

SEC. 10. The term "the Secretary" means the secretary of the Institute at the time in office.

SEC. 11. The term "the Treasurer" means the treasurer of the Institute at the time in office.

SEC. 12. The term "unfair practice" means and includes any act described as an unfair practice in Schedule H annexed hereto.

SEC. 13. Wherever used in the Code with reference to the Industry or any member of the Industry or any member of the Code, unless the context shall otherwise clearly indicate.

(a) The term "plant" means only a plant for the production of one or more products in the Industry;

(b) The term "prices" includes only prices for products produced in the Industry;

(c) The term "wages" includes only wages for labor performed in the Industry;

(d) The term "labor" means only labor performed in the Industry;

(e) The term "hours of labor" or "hours of work" includes only hours of labor or hours of work in the Industry; and

(f) The term "employee" means only an employee in the Industry.

SEC. 14. The term "the National Industrial Recovery Act" means the National Industrial Recovery Act as approved by the President June 16, 1933.

SEC. 15. The term "the effective date of the Code" means the date on which the Code shall have been approved by the President pursuant to the National Industrial Recovery Act.

SEC. 16. The term "the Administrator" means the Administrator appointed by the President under the National Industrial Recovery Act and at the time in office.

SEC. 17. The term "the Administration" means the agency established pursuant to the provisions of Section 2 of the National Industrial Recovery Act.

ARTICLE II—PURPOSE OF THE CODE

SECTION 1. The Code is adopted pursuant to Title I of the National Industrial Recovery Act.

SEC. 2. The purpose of the Code is to effectuate the policy of Title I of the National Industrial Recovery Act insofar as it is applicable to the Industry.

ARTICLE III—MEMBERSHIP IN THE CODE

SECTION 1. It is of the essence of the Code that all members of the Industry which shall comply with the provisions of the Code shall be entitled to participate in its benefits upon the terms and conditions set forth in the Code.

SEC. 2. Any member of the Industry is eligible for membership in the Code.

SEC. 3. Any member of the Industry desiring to become a member of the Code may do so by signing and delivering to the Secretary a letter substantially in the form set forth in Schedule A annexed hereto.

SEC. 4. The rules and regulations in respect of meetings of members of the Code are set forth in Schedule B annexed hereto.

ARTICLE IV—HOURS OF LABOR, RATES OF PAY, AND OTHER CONDITIONS OF EMPLOYMENT

SECTION 1. Pursuant to subsection (a) of Section 7 of the National Industrial Recovery Act and so long as the Code shall be in effect, the Code shall be subject to the following conditions:

(1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection;

(2) That no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing; and

(3) That employers shall comply with the maximum hours of labor, minimum rates of pay, and other conditions of employment, approved or prescribed by the President.

SEC. 2. Since the beginning of the present depression and the consequent reduction in the total number of hours of work available in the Industry, its members have made every effort to distribute, and with a remarkable degree of success have distributed, the hours of work available in their plants so as to give employment to the maximum number of employees. It is the intention of the Industry to continue that policy insofar as practicable, to the end that the policy of Title I of the National Industrial Recovery Act may be effectuated, and that work in the Industry shall insofar as practicable be distributed so as to provide employment for the employees normally attached to the Industry. The basic processes in the Industry are of a continuous character and they cannot be changed in this respect without serious adverse effect upon production and employment. As demand for the products of the industry and, therefore, for labor shall increase, hours of labor for employees in the Industry must necessarily increase; but, except in the case of executives, those employed in supervisory capacities and in technical work and their respective staffs and those employed in emergency work, insofar as practicable and so long as employees qualified for the work required shall be available in the respective localities where such work shall be required and having due regard for the varying demands of the consuming and processing industries for the respective products, none of the members of the Code shall cause or permit any employee to work at an average of more than 40 hours per week in any six months' period or to work more than 48 hours or more than 6 days in any one week. On or after November 1, 1933, as soon as the members of the Code shall be operating at 60% of capacity, they shall adjust the operations of their plants so that, except as to executives, those employed in supervisory capacities and in technical work and their respective staffs and those employed in emergency work, they will establish the 8-hour day for all their employees. For the purposes of this Section 2 the first six months' period for each employee in the employ of any member of the Code at the effective date thereof shall begin with that date, and the first six months period for any employee thereafter employed by any member of the Code shall begin with the date of employment of such employee by such member. After the date of the employment by any member of the Code of any employee such member shall not knowingly permit such employee who also shall have performed work for one or more other employers to work for such member such number of hours as would result in a violation of the Code had all such work been performed for such member.

SEC. 3. None of the members of the Code shall employ in or about its plants in the Industry any person under 16 years of age.

SEC. 4. Throughout the history of the Industry geographical wage differentials have existed, due in the main to differences in living costs and general economic conditions and the ability adequately to man the industries in the respective localities. The establishments in the Industry in the different localities have been developed under such differences in wages and, after a survey of the matters bearing on such differences in the various sections of the United States, for the purposes of this Article IV the wage districts described in Schedule C annexed hereto have been established.

SEC. 5. Until changed by amendment of the Code as hereinafter in Article XII provided, the minimum rates of pay per hour which shall be paid by members of the Code for common labor (not including that of apprentices and learners) in the Industry in the respective wage districts described in such Schedule C shall be the rates set forth in Schedule D annexed hereto. None of the members of the Code shall pay common laborers (not including apprentices and learners) in its employ in the Industry in any such district any rate of pay less than the rate specified for such district in such Schedule D, and any violation of this provision of the Code shall be deemed an unfair practice. Such rates of pay shall not, however, be understood to be the maximum rates of pay for their respective districts, but, until changed as aforesaid, none of the members of the Code shall be required to pay its common-laborers in the Industry in any of such districts a rate of pay higher than the rate specified for such district in such Schedule D, except as such member shall have agreed to pay such higher rate in any agreement heretofore or hereafter made by such member with its employees. Until this provision shall have been changed by amendment as aforesaid, each member of the Code will pay to each of its employees in the Industry who on July 14, 1933, was receiving pay at a rate of pay per hour in excess of the rate of pay per hour then being paid by such member for common labor a rate of pay per hour which shall be at least 15% greater than that which such employee was then receiving; provided, however, that the foregoing provision shall not be so construed as to require any member of the Code to make any increase in the rate of pay per hour to be paid by such member to any of its employees in any wage district that will result in a rate of pay per hour which shall be higher than the rate of pay per hour paid to employees doing substantially the same class or kind of labor in the same wage district by any other member of the Code which shall have increased its rates of pay per hour in accordance with such provision. In the case of employees (not including apprentices and learners) performing work for which they are paid per piece of work performed, the minimum rate of pay which each member of the Code shall pay for such work shall be sufficient to produce at the average rate of performance of such work at the time prevailing at the plant of such member where such work is performed the minimum rate of pay per hour provided in the Code for common labor at such plant.

ARTICLE V—PRODUCTION AND NEW CAPACITY

SECTION 1. It is the consensus of opinion in the Industry that it is not necessary, in order to effectuate the policy of Title I of the National Industrial Recovery Act, to make any specific provision in the Code for controlling or regulating the volume of production in the Industry or for allocating production or sales among its members. It is believed that the elimination of unfair practices in the Industry will automatically eliminate any overproduction therein and any alleged inequities in the distribution of production and sales among its members. Adequate provision shall be made under the Code for the collection of statistics regarding production and of other data from which it may be determined from time to time whether overproduction in the Industry exists and whether in the circumstances any restriction of production is necessary in order to effectuate the policy of Title I. The Board of Directors shall furnish to the Administrator summaries or compilations of such statistics and other data in reasonable detail. Should it at any time in the circumstances as they shall then exist appear to the Board of Directors that the policy of such Title I will not be effectuated in the Industry because of the fact that through the Code production therein is not controlled and regulated, then the Board of Directors is hereby empowered, subject to the approval of the President after such conference with or hearing of interested persons as he may prescribe, to make, modify, or rescind such rules and regulations for the purpose of controlling and regulating production in the Industry, including the fixing of such liquidated damages for violations of such rules and regulations, as such Board shall deem to be necessary or proper in order to effectuate the policy of such Title I. All such rules and regulations from time to time so made and

in effect shall be binding upon each member of the Code to which notice thereof shall have been given.

SEC. 2. It is also the consensus of opinion in the Industry that, until such time as the demand for its products cannot adequately be met by the fullest possible use of existing capacities for producing pig iron and steel ingots, such capacities should not be increased. Accordingly, unless and until the Code shall have been amended as hereinafter provided so as to permit it, none of the members of the Code shall initiate the construction of any new blast furnace or open hearth or Bessemer steel capacity. The President may, however, suspend the operation of the provisions of this section.

ARTICLE VI—ADMINISTRATION OF THE CODE

SECTION 1. The administration of the Code shall be under the direction of the Board of Directors. The Board of Directors shall have all the powers and duties conferred upon it by the Code and generally all such other powers and duties as shall be necessary or proper to enable it fully to administer the Code and to effectuate its purpose.

SEC. 2. The Secretary shall act as Secretary under the Code. Under the direction of the Board of Directors, he shall keep all books (except books of account) and records under the Code and, except as such Board shall otherwise provide, shall collect, file, and collate all statistics and other information required by the Board of Directors for the proper administration of the Code.

SEC. 3. The Treasurer shall act as Treasurer under the Code and, under the direction of the Board of Directors, he shall have custody of, and have charge of the disposition of, all funds collected under the Code; and he shall keep proper books of account showing the collection and disposition thereof.

SEC. 4. The Board of Directors shall have power from time to time (a) to appoint and remove, and to fix the compensation of, all such other officers and employees and all such accountants, attorneys, and experts as the said Board shall deem necessary or proper for the purpose of administering the Code and (b) to fix the compensation of the Secretary and the Treasurer for their services in acting under the Code.

SEC. 5. The expenses of administering the Code shall be borne by the members thereof. The Board of Directors may from time to time make such assessments on account of such expenses against the members of the Code as it shall deem proper, and such assessments shall be payable as such Board shall specify. The part of such expenses which shall be assessed against each member of the Code shall bear the same relation to the total thereof as the number of votes which, pursuant to the provisions of the Code, such member might cast at a meeting of the members thereof held at the time of any such assessment shall bear to the total number of votes that might be cast thereat by all the then members of the Code. Failure of any member of the Code to pay the amount of any assessment against such member for a period of thirty days after the date on which it became payable shall constitute a violation of the Code.

SEC. 6. The Board of Directors may from time to time appoint such committees as it shall deem necessary or proper in order to effectuate the purpose of the Code, and it may delegate to any such committee generally or in particular instances such of the powers and duties of the Board of Directors under the Code as such Board shall deem necessary or proper in order to effectuate such purpose. Any member of any such committee may be a member of the Board of Directors or an officer or a director of a member of the Code or a person not having any official connection with any member of the Code or with the Institute, as the Board of Directors shall deem proper.

SEC. 7. The members of the Code recognize that questions of public interest are or may be involved in its administration. Accordingly, representatives of the Administration consisting of the Administrator and one or two other persons appointed by him (who shall be persons not having or representing interests antagonistic to the interests of members of the Industry) shall be given full opportunity at such time as shall be reasonably convenient to discuss with the Board of Directors or any committees thereof any matters relating to the administration of the Code and to attend meetings of the Board at which action on any such matters shall be undertaken and to make recommendations as to methods or measures of administering the Code. Due notice of all such meetings of the Board of Directors shall be given to such representatives of the Administration. The records of the Board of Directors relating in any way to the administration of the Code shall be open to such representatives at all reasonable times. They shall be afforded by the

Board of Directors complete access at all times to all records, statistical material, or other information furnished or readily available to the Board of Directors in connection with, or for the purposes of, the administration of the Code. The Board of Directors, acting directly or through one or more committees appointed by it, shall give due consideration to all requests or recommendations made by such representatives of the Administration and render every possible assistance to such representatives in obtaining full information concerning the operation and administration of the Code, to the end that the President may be fully advised regarding such operation and administration through reports that may be made to him from time to time by such representatives, and to the end that the President may be assured that the Code and the administration thereof do not promote or permit monopolies or monopolistic practices, or eliminate or oppress small enterprises, or operate to discriminate against them and to provide adequate protection of consumers, competitors, employees, and others concerned and that they are in furtherance of the public interest and operate to effectuate the purposes of Title I of the National Industrial Recovery Act.

ARTICLE VII—PRICES AND TERMS OF PAYMENT

None of the members of the Code shall make any sale of any product at a price or on terms and conditions more favorable to the purchaser thereof than the price, terms, or conditions established by such member in accordance with the provisions of Schedule E annexed hereto and in effect at the time of such sale; nor, except as otherwise provided in such Schedule E, shall any member of the Code make any contract of sale of any product at a price or on terms and conditions more favorable to the purchaser thereof than the price, terms, and conditions established as aforesaid and in effect at the time of the making of such contract of sale.

ARTICLE VIII—UNFAIR PRACTICES

For all purposes of the Code the acts described in Schedule H Annexed hereto shall constitute unfair practices. Such unfair practices and all other practices which shall be declared to be unfair practices by the Board of Directors as provided in paragraph M of such schedule H or by any amendment to the Code adopted as hereinafter in Article XII provided and at the time in effect, shall be deemed to be unfair methods of competition in commerce within the meaning of the Federal Trade Commission Act, as amended, and the using or employing of any of them shall be deemed to be a violation of the Code, and any member of the Industry which shall directly or indirectly, through any officer, employee, agent, or representative, knowingly use or employ any of such unfair practices, shall be guilty of a violation of the Code.

ARTICLE IX—REPORTS AND STATISTICS

SECTION 1. The Board of Directors shall have power from time to time to require each member of the Code to furnish to the Secretary for the use of the Board of Directors such information concerning the production, shipments, sales, and unfilled orders of such member and the hours of labor, rates of pay, and other conditions of employment at the plant or plants of such member and such other information as the Board of Directors shall deem necessary or proper in order to effectuate the purpose of the Code and the policy of Title I of the National Industrial Recovery Act. The Board of Directors may require that any such information be furnished periodically at such times as it shall specify and may require that any or all information furnished be sworn to or otherwise certified or authenticated as it shall prescribe. Failure of any member of the Code promptly to furnish to the Secretary information required by the Board of Directors and substantially in the form prescribed by it, shall constitute a violation of the Code. The Board of Directors shall not require any information regarding trade secrets or the names of the customers of any member of the Code.

SEC. 2. Any or all information furnished to the Secretary by any member of the Code shall be subject to checking for the purpose of verification by an examination of the books and accounts and records of such member by any accountant or accountants or other person or persons designated by the Board of Directors, and shall be so checked for such purpose if the Board of Directors shall require it. The cost of such examination shall be treated as an expense of administering the Code; provided, however, that, if upon such examination any such information shall be shown to have been incorrect in any material respect, such cost shall be paid by the member of the Code which furnished such information.

SEC. 3. The Board of Directors shall require the members of the Code from time to time to furnish such information as shall be necessary for the proper administration of the Code.

SEC. 4. To the extent that the Board of Directors may deem that any information furnished to the Secretary in accordance with the provisions of the Code is of a confidential character in the interest of the member of the Code which shall have furnished it and that the publication thereof is not essential in order to effectuate the policy of Title I of the National Industrial Recovery Act, such information shall be treated by the Board of Directors and by the other members of the Code, if any knowledge of it shall have come to them, as strictly confidential; and no publication thereof to anyone or in any manner shall be made other than in combination with similar information furnished by other members of the Code, in which case the publication shall be made only in such manner as will avoid the disclosing separately of such confidential information.

SEC. 5. Summaries or compilations in reasonable detail of all information which shall be furnished to the Secretary pursuant to the provisions of this Article IX shall be made periodically and sent to the Administrator.

ARTICLE X—PENALTIES AND DAMAGES

SECTION 1. Any violation of any provision of the Code by any member of the Industry shall constitute a violation of the Code by such member.

SEC. 2. Recognizing that the violation by any member of the Code of any provision of Article VII or of Schedule E of the Code will disrupt the normal course of fair competition in the Industry and cause serious damage to other members of the Code and that it will be impossible fairly to assess the amount of such damage to any member of the Code, it is hereby agreed by and among all members of the Code that each member of the Code which shall violate any such provision shall pay to the Treasurer as an individual and not as treasurer of the Institute, in trust, as and for liquidated damages the sum of \$10 per ton of any products sold by such member in violation of any such provision.

SEC. 3. Except in cases for which liquidated damages are fixed in the Code and in cases which shall give rise to actions in tort in favor of one or more members of the Code for damages suffered by it or them, the Board of Directors shall have power from time to time to establish the amount of liquidated damages payable by any member of the Code upon the commission by such member of any act constituting an unfair practice under the Code and a list of the amounts so fixed shall from time to time be filed with the Secretary. Upon the commission by any member of the Code of any act constituting an unfair practice under the Code and for which liquidated damages are not fixed in the Code or which does not give rise to an action in tort in favor of one or more members of the Code for damages suffered by it or them, such member shall become liable to pay to the Treasurer as an individual and not as treasurer of the Institute, in trust, liquidated damages in the amount at the time established by the Board of Directors for such unfair practice and specified in the list then on file with the Secretary as aforesaid.

SEC. 4. All amounts so paid to or collected by the Treasurer under this Article X or under Section 4 of Schedule E of the Code shall be held and disposed of by him as part of the funds collected under the Code, and each member of the Code not guilty of the unfair practice in respect of which any such amount shall have been paid or collected shall be credited with its pro rata share of such amount on account of any and all assessments (other than damages for violation of any provision of the Code) due or to become due from such member under the Code, or, in the case of any excess, as shall be determined by the Board of Directors, such pro rata share to be computed on the same basis as the last previous assessment made against such member on account of the expenses of administering the Code as hereinbefore in Section 5 of Article VI provided. All rights of any person who shall at any time be the Treasurer in respect of any amounts which shall be payable to him because of the commission by any member of the Code of any act constituting an unfair practice under the Code, whether payable under the provisions of this Article X or under any other provision of the Code, shall pass to and become vested in his successor in office upon the appointment of such successor.

SEC. 5. Each member of the Code by becoming such member agrees with every other member thereof that the Code constitutes a valid and binding contract by and among all members of the Code, subject, however, to the provisions of Section 6 of Article XI, and that, in addition to all penalties and liabilities imposed by statute, any violation of any provision of the Code by any member thereof shall

constitute a breach of such contract and shall subject the member guilty of such violation to liability for liquidated damages pursuant to the provisions of the Code. Each member of the Code by becoming such member thereby assigns, transfers, and delivers to the Treasurer as an individual and not as treasurer of the Institute, in trust, all rights and causes of action whatsoever which shall thereafter accrue to such member under the Code for such liquidated damages by reason of any violation of the Code by any other member thereof, and thereby designates and appoints the Treasurer as such individual the true and lawful attorney in fact of such member to demand, sue for, collect, and receipt for any and all amounts which shall be owing to such member in respect of any such right or cause of action, and to compromise, settle, satisfy, and discharge any such right or cause of action, all in the name of such member or in the name of the Treasurer individually, as he shall elect.

SEC. 6. Anything in the Code to the contrary notwithstanding, the Board of Directors by the affirmative vote of two thirds of the whole Board may waive any liability for liquidated damages imposed by or pursuant to any provision of the Code for any violation of any provision thereof, if in its discretion it shall decide that such violation was innocently made and that the collection of such damages will not to any material extent tend to effectuate the policy of Title I of the National Industrial Recovery Act.

ARTICLE XI—GENERAL PROVISIONS

SECTION 1. Any notice, demand, or request required or permitted to be given to or made upon any member of the Code shall be sufficiently given if mailed postage prepaid addressed to such member at the address of such member on file with the Secretary. A waiver in writing signed by any member of the Code of any such notice, demand, or request and delivered to the Secretary shall be deemed to be the equivalent of a notice, demand, or request duly given or made, whether or not such waiver was signed and delivered before the time when such notice, demand, or request was required or permitted to be given or made.

SEC. 2. Nothing contained in the Code shall be deemed to constitute the members of the Code partners for any purpose. None of the members of the Code shall be liable in any manner to anyone for any act of any other member of the Code or for any act of the Board of Directors, the Treasurer or the Secretary, or any committee, officer, or employee appointed under the Code. None of the members of the Board of Directors or of any committee appointed under the Code, nor the Treasurer, nor the Secretary, nor any officer or employee appointed under the Code, shall be liable to anyone for any action or omission to act under the Code, except for his wilful misfeasance or nonfeasance. Nothing contained in the Code shall be deemed to confer upon anyone other than a member of the Code any right, claim, or demand whatsoever not expressly provided by statute against any member of the Code or against any member of the Board of Directors or of any committee appointed under the Code or against the Treasurer or the Secretary or any officer or employee appointed under the Code.

SEC. 3. As soon as members of the Industry which would, if then members of the Code, have the right to cast at least 75% of all the votes that might be cast at a meeting of the members of the Code, if all members of the Industry were then members of the Code and present at such meeting, shall sign and deliver to the Secretary letters substantially in the form set forth in Schedule A annexed hereto, the Board of Directors shall submit the Code to the President pursuant to the provisions of Title I of the National Industrial Recovery Act and, upon the approval of the Code by the President pursuant to the provisions of such Title I, it shall constitute a binding contract by and among the members of the Code and the provisions thereof shall be the standards of fair competition for the Industry; subject, however, to amendment or termination as hereinafter in Article XII provided, and subject also to the provisions of Section 6 of this Article XI.

SEC. 4. To the extent required or made possible by or under the provision of Title I of the National Industrial Recovery Act the provisions of the Code shall apply to and be binding upon every member of the Industry whether or not such member shall be a member of the Code. No member of the Industry which shall not also be a member of the Code shall be entitled to vote at any meeting of members of the Code or to any other right, power, or privilege provided in the Code for the members thereof.

SEC. 5. The Board of Directors shall have power from time to time to interpret and construe the provisions of the Code, including, but without any limitation upon the foregoing, the power to determine what are products within the meaning

of that term as it is used in the Code. Any interpretation or construction placed upon the Code by the Board of Directors shall be final and conclusive upon all members of the Code.

SEC. 6. The members of the Code recognize that, pursuant to subsection (b) of Section 10 of the National Industrial Recovery Act, the President may from time to time cancel or modify any order, approval, license, rule, or regulation issued under Title I of said Act.

ARTICLE XII—AMENDMENTS—TERMINATION

SECTION 1. The Code may be amended at any time in the manner in this Section 1 provided. The changing of any schedule hereto or the addition hereto of any new schedule shall constitute an amendment of the Code. All amendments shall be proposed by the Board of Directors by vote of the majority of the members thereof at the time in office. Each amendment so proposed shall be submitted to a meeting of the members of the Code which shall be called for such purpose upon notice given in accordance with the provisions of Section 1 of Schedule B and Section 1 of Article XI of the Code. If at such meeting members of the Code having the right to cast at least 75% of all the votes that might be cast at such meeting, if all the members of the Code were present thereat, shall vote in favor of the adoption of such amendment, such amendment shall be submitted by the Board of Directors to the President for approval, if approval thereof by him shall then be required by law. Every such amendment shall take effect as a part of the Code upon the adoption thereof by the members of the Code as above provided and the approval thereof by the President, if approval thereof by him shall be required as aforesaid.

SEC. 2. The Code shall continue in effect for a period of ninety (90) days after the effective date thereof, in order to afford to the President an opportunity to determine upon the recommendations of the representatives of the Administration, for which provision has heretofore been made in Article VI, whether its provisions will effectuate the purposes of Title I of the National Industrial Recovery Act, as further defined in said Article VI, subject, however, to amendment, at any time as hereinbefore provided, and also subject to the reserved power of the President to cancel or modify his approval thereof. The Code shall continue in effect after the expiration of said period of ninety (90) days in the absence of the exercise of such reserved power on the part of the President, or in the absence of the exercise by members of the Code of the power which they hereby reserve to terminate the Code at any time after the expiration of said period of ninety (90) days by the same action by them as is above provided for the amendment thereof. When so terminated all obligations and liabilities under the Code shall cease, except those for unpaid assessments theretofore made in accordance with the provisions of the Code and those for liquidated damages theretofore accrued under any provision of the Code.

AUGUST 17, 1933.

SCHEDULE A—FORM OF LETTER OF ASSENT TO THE CODE

To the Secretary of American Iron and Steel Institute, Empire State Building, New York, N. Y.

DEAR SIR: The undersigned, desiring to become a member of the Code of Fair Competition of the Iron and Steel Industry, a copy of which is annexed hereto marked Annex A, hereby assents to all of the provisions of said Code (hereinafter referred to as the Code), and, effective as of the date on which the Code shall have been approved by the President of the United States of America as therein provided, or as of the date on which this letter shall have been delivered, if delivery thereof shall have been made subsequent to the date of which the Code shall have been approved by said President as aforesaid, by the signing and delivery of this letter becomes a member of the Code and effective as aforesaid hereby agrees with every person, firm, association, and corporation who shall then be or thereafter become a member of the Code that the Code shall constitute a valid and binding contract between the undersigned and all such other members.

Effective as aforesaid, pursuant to Section 5 of Article X of said Code, the undersigned (a) hereby assigns, transfers and delivers to the Treasurer under the Code, as an individual and not as treasurer of American Iron and Steel Institute, in trust, all rights and causes of action whatsoever hereafter accruing to the undersigned under the Code for liquidated damages by reason of any violation thereof by anyone, and (b) hereby designates and appoints said Treasurer as such individual the true and lawful attorney in fact of the undersigned, to de-

mand, sue for, collect, and receipt for any and all amounts which shall be owing to the undersigned in respect of any such right or cause of action, and to compromise, settle, satisfy, and discharge any such right or cause of action, all in the name of the undersigned or in the name of said Treasurer, as said Treasurer shall elect.

For all purposes of Section 1 of Article XI of the Code the address of the undersigned, until it shall file with the Secretary of American Iron and Steel Institute written notice of a change of such address, shall be as set forth at the foot of this letter.

Very truly yours,

SCHEDULE B—THE RULES AND REGULATIONS IN RESPECT OF MEETINGS OF MEMBERS OF THE CODE

SECTION 1. A meeting of members of the Code may be called and held at any time by order of the Board of Directors, or by members of the Code having the right to cast at least 50% of all the votes that might be cast at such meetings if all the members of the Code were present thereat, on not less than three days' notice to each of such members stating the time and place of such meeting and the purposes thereof.

SEC. 2. At each meeting of the members of the Code each member thereof shall have as many votes as shall equal the quotient obtained by dividing by 500,000 the aggregate amount in dollars of the invoiced value of the products delivered by such member for consumption within the United States during the preceding calendar year. Fractions in such quotient shall be disregarded; provided, however, that each member of the Code shall have at least one vote. All questions as to the number of votes which each member of the Code shall be entitled to cast at any meeting of the members thereof shall be determined by the Board of Directors. Any person or firm who shall be a member of the Code may, and any association or corporation which shall be a member of the Code shall, vote at meetings of the members of the Code by proxy in writing duly executed by such member and filed with the Secretary. Any such proxy may be for a specified meeting or be a general proxy for any or all meetings that may be held until such proxy shall have been revoked by an instrument in writing duly executed by the member of the Code which gave such proxy and filed with the Secretary.

SEC. 3. At each meeting of the members of the Code, members thereof having the right to cast at least 75% of all the votes that might be cast at such meeting if all the members of the Code were present thereat, shall constitute a quorum for the transaction of business at such meeting.

SCHEDULE C—DESCRIPTION OF WAGE DISTRICTS

1. *Eastern District*.—Comprises that part of the United States which is north of the State of Virginia and east of a line drawn north and south through the most easterly point of Altoona, Pennsylvania; that part of the State of Maryland which is west of such line; and the Counties of Monongalia, Marion, and Harrison in the State of West Virginia.

2. *Johnstown District*.—Comprises Cambria County and the City of Altoona in the State of Pennsylvania.

3. *Pittsburgh District*.—Comprises the Counties of Westmoreland, Fayette, Greene, Washington, Allegheny, Beaver, Butler, Armstrong, and Jefferson and that part of the County of Clearfield which is west of a line drawn north and south through the most easterly point of Altoona, all in the State of Pennsylvania.

4. *Youngstown Valley District*.—Comprises the Counties of Lawrence, Mercer, and Venango in the State of Pennsylvania and the Counties of Trumbull, Mahoning, and Columbiana in the State of Ohio.

5. *North Ohio River District*.—Comprises the cities along the Ohio River north of the City of Parkersburg, West Virginia, and the Counties of Belmont and Jefferson in the State of Ohio, and the Counties of Marshall, Ohio, Brook, and Hancock in the State of West Virginia.

6. *Canton, Massillon, and Mansfield District*.—Comprises the Counties of Stark, Tuscarawas, Summit, and Richland in the State of Ohio.

7. *Cleveland District*.—Comprises the Counties of Ashtabula, Lake, Cuyahoga and Lorain in the State of Ohio.

8. *Buffalo District*.—Comprises that part of the State of New York west of a line drawn north and south through the most easterly point of Altoona, Pennsylvania, and Erie County in that State.

9. *Detroit-Toledo District.*—Comprises the Counties of Seneca and Lucas in the State of Ohio and the Counties of Monroe, Lenawee, Jackson, Wayne, Oakland, Macomb, and Washtenaw in the State of Michigan.

10. *South Ohio River District.*—Comprises the State of Kentucky, the City of Parkersburg, W. Va., the cities along the Ohio River south of said City, the Counties of Guernsey, Muskingum, Jackson, and Butler in the State of Ohio and the County of Wood in the State of West Virginia.

11. *Indiana-Illinois-St. Louis District.*—Comprises all the State of Indiana, except the County of Lake; all the State of Illinois, except the Counties of Lake and Du Page and the Chicago Switching District; the City of St. Louis and the County of St. Louis in the State of Missouri; and the County of Rock in the State of Wisconsin.

12. *Chicago District.*—Comprises the Chicago Switching District; the Counties of Lake and Du Page in the State of Illinois; the County of Lake in the State of Indiana; and the Counties of Kenosha, Racine, and Milwaukee in the State of Wisconsin.

13. *Southern District.*—Comprises all that part of the United States south of the States of Maryland, West Virginia, Kentucky, and Missouri, and the States of Texas and Oklahoma, but does not include the County of Jefferson in the State of Alabama.

14. *Birmingham District.*—Comprises the County of Jefferson in the State of Alabama.

15. *Kansas City District.*—Comprises the County of Jackson in the State of Missouri.

16. *Duluth District.*—Comprises the County of St. Louis in the State of Minnesota.

17. *Colorado District.*—Comprises the State of Colorado.

18. *Utah District.*—Comprises the State of Utah.

19. *Seattle District.*—Comprises the County of King in the State of Washington and the County of Multnomah in the State of Oregon.

20. *San Francisco District.*—Comprises the Counties of San Mateo, Alameda, Sacramento, and Contra Costa in the State of California.

21. *Los Angeles District.*—Comprises the County of Los Angeles in the State of California.

SCHEDULE D—MINIMUM RATES OF PAY FOR COMMON LABOR

	<i>Per hour</i>
1. Eastern District.....	\$0.35
2. Johnstown District.....	.37
3. Pittsburgh District.....	.40
4. Youngstown Valley District.....	.40
5. North Ohio River District.....	.40
6. Canton, Massillon, and Mansfield District.....	.37
7. Cleveland District.....	.40
8. Buffalo District.....	.38
9. Detroit-Toledo District.....	.40
10. South Ohio River District.....	.37
11. Indiana-Illinois-St. Louis District.....	.37
12. Chicago District.....	.40
13. Southern District.....	.25
14. Birmingham District.....	.27
15. Kansas City District.....	.35
16. Duluth District.....	.37
17. Colorado District.....	.40
18. Utah District.....	.39
19. Seattle District.....	.38
20. San Francisco District.....	.37
21. Los Angeles District.....	.35

SCHEDULE E—CONCERNING PRICES AND TERMS OF PAYMENT

SECTION 1. Wherever used in the Code the terms hereinafter in this Section 1 defined shall, unless the context shall otherwise clearly indicate, have the respective meanings hereinafter in this Section 1 set forth. The definition of any such term in the singular shall apply to the use of such term in the plural and vice versa.

(a) Until Schedule F of this Code shall have been amended as in Article XII of the Code provided, the term "basing point" for any product means one of the

places listed in such Schedule F as a basing point for such product. Thereafter the term shall mean one of the places listed in such Schedule F as at the time in effect as a basing point for such product.

(b) The term "base price" of any product means the price for such product f. o. b. a basing point, before any extras in respect of such product shall be added or any discounts for early payment or deductions shall be allowed or made.

(3) The term "period of free credit" means the period of time between the date of a shipment of a product to the purchaser of such product and the date from and after which such purchaser shall be required to pay interest on the purchase price of such product or any part thereof which shall not have been paid prior to the expiration of such period.

(d) The term "date of invoice" means the date of the invoice of any product.

(e) The term "discount for early payment" means the amount of the deduction allowed for the payment of an invoice of products before the expiration of the period of free credit in respect thereof.

(f) The term "an affiliated group" means one or more corporations connected through stock ownership with a common parent corporation, if (1) at least 75% of the stock of each of such corporations (except such common parent corporation) is owned directly by one or more of the other corporations, and (2) such common parent corporation owns directly at least 75% of the stock of at least one of the other corporations. The term "an affiliated company of a member of the Code" means (1) a corporation which is one of an affiliated group that also includes such member of the Code, or (2), in case the member of the Code is a person, firm, or association, a corporation at least 75% of the stock of which is owned by such member. For the purposes of this paragraph (f) the term "stock" does not include nonvoting stock which is limited and preferred as to dividends.

SEC. 2. Each member of the Code shall, within ten days after the effective date of the Code, file with the Secretary a list showing the base prices for all its products, and from and after the expiration of such ten days such member shall at all times maintain on file with the Secretary a list showing the base prices for all its products and shall not make any change in such base prices except as provided in this Schedule E. Each such list shall state the date upon which it shall become effective, which date shall be not less than ten days after the date of filing such list with the Secretary; provided, however, that the first list of base prices filed by any member of the Code as above provided shall take effect on the date of filing thereof. None of the base prices shown in any list filed by any member of the Code as herein provided shall be changed except by the filing by such member with the Secretary of a new list of its base prices, which shall become effective on the effective date therein specified which shall not be less than ten days after the date on which such new price list shall have been so filed. In the case of pipe of sizes or kinds which are sold on a list and discount basis, for the purposes of this Section 2 the list of base prices shall consist of a price list and one or more basing discount lists, from which the base prices of such pipe shall be determined; provided, however, that in the case of oil country tubular goods there shall be filed in lieu of a list of base prices a price list and one or more basing discount lists from which the delivered prices of such goods shall be determined.

SEC. 3. Except as hereinafter otherwise provided in respect of standard Tee rails of more than 60 pounds per yard, angle bars, and rail joints, the base price for any product shown in any list of base prices filed by a member of the Code in accordance with the provisions of the foregoing Section 2 shall be as follows: (a) If such member shall operate a plant for the production of such product which is located at a basing point for such product, f. o. b. such basing point, or (b) if such member shall operate a plant for the production of such product which is not located at a basing point for such product, f. o. b. the basing point for such product nearest in terms of all-rail freight rates to such plant, or (c) if any Gulf or Pacific Coast port shall be listed as a basing point in Schedule F of the Code as at the time in effect, f. o. b. cars dock such port. Except as otherwise provided in this Schedule E, each member of the Code shall file with the Secretary and maintain on file with him a list showing the base price for each of its products for each basing point for such product at which a plant of such member for the manufacture of such product shall be located and for each basing point for such product which shall be nearest in terms of all-rail freight rates to any plant of such member for the manufacture of such product not located at a basing point for such product; and if any Gulf or Pacific Coast port shall be listed in such Schedule F as a basing point for a product, such member may show in such list its base price for such product at such basing point. All base prices shown in the list so filed shall constitute the published base prices of such member

for the products and for the basing points shown in such list. Except as aforesaid, none of the members of the Code shall file any list of base prices showing any price for any of its products other than the base price for such product f. o. b. the basing point or basing points for such products as hereinbefore provided. The published base price of each such member for any product (except standard Tee rails of more than 60 pounds per yard, angle bars, and rail joints) for any basing point for such product other than that or those shown in the list of base prices so filed by such member shall be deemed to be the lowest base price for such product at such other basing point which shall be shown in the list of base prices filed by any other member of the Code and then in effect. All base prices for standard Tee rails of more than 60 pounds per yard and all base prices for angle bars and rail joints shall be f. o. b. mill of the producer thereof, or, in the case of rails, angle bars, and rail joints carried by water from any Atlantic Coast or Gulf port to any Gulf or Pacific Coast port, c. i. f. the port of destination. Lists of prices filed with the Secretary pursuant to the foregoing Section 2 and to this Section 3 shall be open to inspection at all reasonable times by anyone.

SEC. 4. Except as otherwise provided in this Schedule E of the Code, all prices quoted and billed by any member of the Code for any product (except standard Tee rails of more than 60 pounds per yard, angle bars and rail joints and oil country tubular goods, which shall be quoted and billed as hereinafter provided) sold by such member from and after ten days after the effective date of the Code shall be delivered prices, which (disregarding the extras, if any, required by, and the deductions, if any, that may be made pursuant to, the provisions of the Code) shall be not less than the sum of (a) the published base price of such member for such product effective at the time of the sale thereof and (b) the all-rail published tariff freight charges from the basing point on which such base price is based to the place of delivery to the purchaser thereof or (1) if such place of delivery shall be at such basing point, the published tariff switching charges to such place of delivery from the plant of any member of the Code for the production of such product at such basing point nearest in terms of such switching charges to such place of delivery; or, (2) if such place of delivery shall be at a Gulf or Pacific Coast port that is listed in Schedule F as a basing point, the published tariff switching charges to such place of delivery from the dock for discharging products nearest in terms of such switching charges to such place of delivery; provided, however, that (a) in any case in which such product shall be delivered by other than all-rail transportation, the member of the Code selling such product may allow to the purchaser a reduction in the delivered price otherwise chargeable under this Section 4 at a rate which shall have been previously approved by the Board of Directors and filed with the Secretary; and (b) in the case of plates, shapes, or bars intended for fabrication for an identified structure, for the purpose of establishing the delivered price thereof, the place of delivery shall be deemed to be the freight station at or nearest to the place at which such structure is to be erected, and not the shop of the fabricator; and (c) subject as hereinafter in this Section 4 provided, if any list of prices filed with the Secretary by any member of the Code pursuant to this Schedule E and at the time in effect shall show a specified rate of deduction from the price of any product to be allowed by such member on any sale of such product to any jobber for resale, such member may, from and after the date on which such list shall have become effective, allow to any jobber to whom such member shall sell such product for resale a deduction from such price to such jobber for such product at a rate not greater than the rate so shown in such list; and provided, further, that the Board of Directors by the affirmative vote of three fourths of the whole Board may permit any member of the Code in special instances or members of the Code generally to sell or contract for the sale of any product produced by such member or members at a base price which shall be less than the then published base price of such member or members for such product at the respective basing points thereof of such members, if by such vote such Board shall determine that the making of such sale or contract of sale at such less base price is in the interest of the Industry or of any other branch of industry and will not tend to defeat the policy of Title I of the National Industrial Recovery Act by making possible the using or employing of an unfair practice. The Board of Directors shall prescribe such rules and regulations as it shall deem proper by which the question of whether or not any purchaser or prospective purchaser of any product for resale is a jobber shall be determined, and in granting any permission as aforesaid, the Board of Directors shall prescribe such rules and regulations in respect thereof as in its judgment shall be necessary in order to insure to the members of the Code that action in accordance with any such permission shall not result in an unfair practice; and thereafter such Board may by like vote rescind any permission so granted or modify, cancel,

or add to any rules and regulations so prescribed. The Secretary shall send to each member of the Code a copy of all such rules and regulations prescribed by such Board with respect to the determination of the question of whether a purchaser or prospective purchaser for resale is a jobber and he shall give notice in writing of all action so taken by the Board of Directors to each member of the Code which at the time shall be engaged in producing the kind of product in respect of which any such permission was granted.

Before any member of the Code shall allow any such deduction to any jobber or sell for resale to any purchaser who shall not be a jobber any product pursuant to any permission so granted to such member, such member shall secure from such jobber or such other purchaser an agreement substantially in a form theretofore approved by the Board of Directors and filed with the Secretary whereby such jobber or other purchaser shall agree with such member (a) that such jobber or other purchaser will not, without the approval of the Board of Directors, sell such product to any third party at a price which at the time of the sale thereof shall be less than the price at which such member might at that time sell such product to such third party, and (b) that, if such jobber or such other purchaser shall violate any such agreement, he shall pay to the Treasurer as an individual and not as treasurer of the Institute, in trust, as and for liquidated damages the sum of \$10 per ton of any product sold by such jobber or such other purchaser in violation thereof. Except as aforesaid, all prices quoted and billed by any member of the Code for standard Tee rails of more than 60 pounds per yard, angle bars, and rail joints sold by it from and after ten days after the effective date of the Code (disregarding extras and deductions as aforesaid) shall be not less than the published base price of such member for such rails, angle bars, and rail joints effective at the time of the sale, thereof f.o.b. mill of the producer, or, in the case of rails, angle bars, or rail joints carried by water from any Atlantic Coast or Gulf port to any Gulf or Pacific Coast port, c.i.f. the port of destination. Except as aforesaid, all prices quoted and billed by any member of the Code for oil country tubular goods sold by it from and after ten days after the effective date of the Code (disregarding extras and deductions as aforesaid) shall be not less than the delivered price for such goods determined by deducting from the published list price of such member for such goods effective at the time of the sale thereof the published basing discounts applicable to such goods effective at such time. In case at the effective date of the Code any valid, firm contract to which a member of the Code shall be a party shall exist for a definite quantity of any product or for all or a substantial part of the requirements of the purchaser thereof (a) at a fixed price, or (b) at a price that can be definitely determined in accordance with the provisions of such contract, or (c) at the market price of such product at the date when a definite quantity thereof shall be specified under such contract and such contract covered a sale of 20% or more of the total quantity of such product produced and sold in the United States in the calendar year 1932, it is recognized that such contract will tend to establish the market price for such product during the remainder of its life and that, if the other members of the Code which produce and sell such product shall by the foregoing provisions of this Schedule E be prevented from selling such product during the remainder of the life of such contract at as favorable a price and on as favorable terms and conditions as those provided for in such contract, then unfair competition as between the member of the Code which shall be a party to such contract and the other members thereof and also as between the other party to such contract and its competitors may result. Accordingly, anything herein to the contrary notwithstanding, during the remainder of the life of such contract any member of the Code may sell such product at a price and on terms and conditions as favorable as (but not more favorable than) the price, terms, and conditions provided for in such contract.

Sec. 5. The Board of Directors shall have power on its own initiative, or on the complaint of any member of the Code, to investigate any base price for any product at any basing point shown in any list filed with the Secretary by any member of the Code, and for the purpose of the investigation thereof to require such member to furnish such information concerning the cost of manufacturing such product as the Board of Directors shall deem necessary or proper for such purpose. If the Board of Directors after such investigation shall determine that such base price is an unfair base price for such product at such basing point, having regard to the cost of manufacturing such product, and that the maintenance of such unfair base price may result in unfair competition in the Industry, the Board of Directors may require the member of the Code that filed the list in which such unfair base price is shown to file a new list showing a fair base price for such product at such basing point, which fair base price shall become effective

immediately upon the filing of such list. If such member of the Code shall not within ten days after notice to it of such determination by the Board of Directors file a new list showing such fair base price for such product at such basing point the Board of Directors shall have power to fix a fair base price for such product at such basing point, which fair base price, however, shall not be more than the base price of any other member of the Code at that time effective for such product at such basing point and in respect of which the Board of Directors shall not theretofore have begun an investigation or a complaint shall not have been made by any member of the Code. When the decision of such Board fixing such fair base price shall have been filed with the Secretary and the Secretary shall have given notice thereof to such member, such fair base price shall be the base price of such member for such product at such basing point, until it shall have been changed as in the Code provided. A notice of all decisions of the Board of Directors under this Section 5, together with the reasons therefor, shall be filed with the President.

SEC. 6. The Board of Directors by the affirmative vote of a majority of the whole Board may establish maximum rates of discount and maximum periods of free credit, other than those specified in Schedule G of the Code, which may be allowed by any member of the Code with respect to the sale of any product or products to jobbers for resale as permitted by the provisions of Section 4 of this Schedule E. The Secretary shall give notice in writing of any action taken by the Board of Directors in accordance with the provisions of this Section 6 to each member of the Code which at the time shall be engaged in producing the kind of product in the sale of which any such other rates or periods shall have been established by such action. Except as aforesaid and except as elsewhere in this Schedule E of the code otherwise provided, the maximum rates of discount for early payment and the maximum periods of free credit which may be allowed by any member of the Code shall be the rates and periods specified in said Schedule G. Except as aforesaid, all invoices for products sold by any member of the Code after the effective date of the Code shall bear interest from and after the expiration of the period of free credit at a rate which shall be not less than the then current rate established by the Board of Directors and filed with the Secretary. Nothing in the Code contained shall prevent any member of the Code from allowing credit to any purchaser or allowing any purchaser to delay payment in respect of any invoice for a longer period than the maximum period of free credit specified in such Schedule G or such other maximum period as shall be established in accordance with the provisions of this Section 6; but, if any member of the Code shall allow credit to any purchaser or allow any purchaser to delay payment in respect of any invoice for a period longer than such maximum period of free credit, then such member shall charge and collect interest on the amount in respect of which credit shall be so allowed or the payment of which shall have been so delayed at a rate not less than the current rate established and filed as aforesaid.

SEC. 7. Except as in this Schedule E of the Code otherwise provided, any extras added to, and any deductions made from, the base price for any product sold by any member of the Code in determining its quoted or billed price for such product shall be uniform for all members of the Code. The rates of such extras and of such deductions shall be those approved from time to time by the Board of Directors as being in accordance with the trade practice customary in the industry at the effective date of the Code and as meeting the requirements of the Code. Lists showing such rates shall be filed with the Secretary and shall be open to inspection at all reasonable times by anyone. In case any member of the Code shall sell any product to which any such rate of extra or deduction shall apply, except as aforesaid, such member shall add an extra at a rate which shall not be less than the rate of extra applicable to such product theretofore approved by the Board of Directors as aforesaid and at the time in effect and none of the members of the Code shall make any deduction at a rate that shall be more favorable to the purchaser of such product than the rate of deduction applicable to such product theretofore approved by the Board of Directors as aforesaid and at the time in effect; provided, however, that nothing in the Code contained shall be so construed as to prevent any member of the Code from selling or contracting to sell any product for use by the purchaser thereof in the manufacture of articles for shipment in export trade within the meaning of the term "export trade" as it is used in the Export Trade Act under an agreement by such member of the Code with such purchaser that, when such articles shall have been shipped in such export trade, such member of the Code shall make an allowance at a rate approved by the Board of Directors and a statement of the approval of which shall theretofore have been filed with the Secretary, which rate in the opinion of such Board shall be sufficient to enable such member of the Code or such pur-

chaser to meet foreign competition in the sale and delivery of such product or such articles, as the case may be.

SEC. 8.—The practice of shipping products on consignment may result in unfair competition and it is the intention of the Industry to eliminate such practice as soon as possible after the effective date of the Code. Accordingly, except to the extent necessary to carry out arrangements existing on the effective date of the Code and which shall have been reported to the Board of Directors, from and after such date none of the members of the Code shall deliver products, other than pipe, on consignment except to an affiliated company of such member. All arrangements for the delivery by any member of the Code of products on consignment (other than consignments to an affiliated company of such member and other than consignments of pipe) existing on the effective date of the Code shall be terminated on or before June 30, 1934, and all stock held on consignment on that date shall either be sold to the consignee or possession thereof shall be taken by the consignor. The Board of Directors shall investigate problems presented in the elimination of consigned stocks of pipe and shall recommend to the members of the Code which shall be parties to then existing arrangements with respect to shipments of pipe on consignment (other than consignments from a member of the Code to an affiliated company) such action in respect thereof as such Board shall deem proper and designed to accomplish the termination of all such arrangements (other than as aforesaid) at as early a date as possible.

SEC. 9. For all purposes of this Schedule E, a delivery of any product made pursuant to a contract of sale shall be regarded as a sale thereof made at the time of the making of such contract. Except in the case of a product required by a purchaser for a specified definite contract of such purchaser with a third party at a fixed price, none of the members of the Code shall make any contract of sale of any product by the terms of which the shipment of such product is not required to be completed before the end of the calendar quarter year ending not more than four months after the date of the making of such contract.

SEC. 10. Nothing in the Code contained, however, shall be so construed as to prevent the performance by any member of the Code of a valid, firm contract existing and to which it is a party at the effective date of the Code for a definite quantity of any product or for all or a substantial part of the requirements of the purchaser thereof (a) at a fixed price, or (b) at a price that can be definitely determined in accordance with the provisions of such contract, or (c) at the market price for such product at the date when a definite quantity thereof shall be specified under such contract. If any member of the Code shall at the effective date thereof be a party to any contract for the sale of any product by such member which by its terms is to continue after December 31, 1933, and by its terms the price to be paid for such product by the other party to such contract is related to the market price thereof at the date when a definite quantity thereof may be specified under such contract and may be less than such market price, then such member shall within thirty days after the effective date of the Code file a copy of such contract with the Secretary in order that the Board of Directors may consider it and take such action in respect thereof consistent with the rights and obligations of the parties to such contract as such Board shall deem proper.

SEC. 11. A sale made by any member of the Code indirectly through any affiliated company of such member shall be deemed to be a sale made by such member.

SEC. 12. Nothing in the Code contained shall be deemed to apply to or affect the sale of any product for direct shipment in export trade by any member of the Code within the meaning of the term "export trade" as it is used in the Export Trade Act or, unless and to the extent that the Board of Directors shall otherwise determine, the sale of any product by any such member for direct shipment to the Philippines, Hawaii, or Puerto Rico or other insular possessions of the United States of America.

SEC. 13. If and to the extent requested by the Administrator, all decisions of, permissions, and approvals given by and rules and regulations made by, the Board of Directors pursuant to any provisions of this Schedule E shall be reported to him.

SCHEDULE F—LIST OF BASING POINTS

The places hereinafter in this Schedule F listed are the basing points for the respective products named.

Axles—Rolled or forged:

Pittsburgh, Pa.
Chicago, Ill.
Birmingham, Ala.

Bale Ties:

Pittsburgh, Pa.
Cleveland, Ohio
Chicago, Ill.
Birmingham, Ala.
Duluth, Minn.
Gulf Ports ¹
Pacific Coast Ports ²

Bars—Alloy steel, hot rolled:

Pittsburgh, Pa.
Buffalo, N. Y.
Chicago, Ill.
Canton, Ohio
Massillon, Ohio
Bethlehem, Pa.

Bars—Cold finished, carbon, and alloy:

Pittsburgh, Pa.
Buffalo, N. Y.
Cleveland, Ohio
Chicago, Ill.
Gary, Ind.

Bars—Concrete reinforcing:

Pittsburgh, Pa.
Buffalo, N. Y.
Cleveland, Ohio
Chicago, Ill.
Gary, Ind.
Birmingham, Ala.
Youngstown, Ohio
Gulf Ports
Pacific Coast Ports

Bars—Iron:

Pittsburgh, Pa.
Troy, N. Y.
Jersey City, N. J.
Dover, N. J.
Philadelphia, Pa.
Columbia, Pa.
Lebanon, Pa.
Reading, Pa.
Danville, Pa.
Burnham, Pa.
Creighton, Pa.
Richmond, Va.
Louisville, Ky.
Terre Haute, Ind.

Bars—Merchant steel:

Pittsburgh, Pa.
Buffalo, N. Y.
Cleveland, Ohio
Chicago, Ill.
Gary, Ind.
Birmingham, Ala.
Gulf Ports
Pacific Coast Ports ²

Bars—Tool steel:

Pittsburgh, Pa.
Syracuse, N. Y.
Bethlehem, Pa.

Girder rails:

Lorain, Ohio
Steelton, Pa.

Ingots, blooms, billets, and slabs—

Alloy:

Pittsburgh, Pa.
Buffalo, N. Y.
Chicago, Ill.
Canton, Ohio
Massillon, Ohio
Bethlehem, Pa.

Ingots, blooms, billets, and slabs—

Carbon:

Pittsburgh, Pa.
Buffalo, N. Y.
Cleveland, Ohio
Chicago, Ill.
Gary, Ind.
Birmingham, Ala.
Youngstown, Ohio

Light rails—60 lbs. or less per yard:

Pittsburgh, Pa.
Chicago, Ill.
Birmingham, Ala.

Mechanical tubing:

Pittsburgh, Pa.
Canton, Ohio
Shelby, Ohio
Detroit, Mich.
Milwaukee, Wis.

Pig iron—Foundry, malleable, open-hearth, basic, and Bessemer:

Buffalo, N. Y.
Cleveland, Ohio
Chicago, Ill.
Birmingham, Ala.
Youngstown, Ohio
Neville Island, Pa.
Sharpsville, Pa.
Erie, Pa.
Bethlehem, Pa.
Swedeland, Pa.
Birdsboro, Pa.
Hamilton, Ohio.
Jackson, Ohio.
Toledo, Ohio.
Granite City, Ill.
Detroit, Mich.
Duluth, Minn. (except open-hearth basic)
Provo, Utah
Everett, Mass.
Sparrows Point, Md.

Pig iron—Low phosphorus:

Birdsboro, Pa.

¹ Except as otherwise shown in this Schedule F, the Gulf Ports are Mobile, Ala., New Orleans, La., and Orange, Port Arthur, Beaumont, Baytown, Galveston, and Houston, Tex.

² The Pacific Coast ports are San Pedro (includes Wilmington) and San Francisco (includes Oakland) Calif.; Portland, Oreg.; and Seattle (includes Tacoma), Washington; and San Diego, Calif.: for Plates and Structural Shapes only.

Pig iron—Low phosphorus—Continued.	Skelp:
Steelton, Pa.	Pittsburgh, Pa.
Standish, N. Y.	Buffalo, N. Y.
Johnson City, Tenn.	Chicago, Ill.
Pipe—Rigid electrical conduit:	Youngstown, Ohio
Pittsburgh, Pa.	Coatesville, Pa.
Evanston, Ill.	Sparrows Point, Md.
Pipe—Standard, line pipe, and oil	Steel sheet piling:
country tubular products:	Pittsburgh, Pa.
Pittsburgh, Pa.	Buffalo, N. Y.
Gary, Ind.	Chicago, Ill.
Lorain, Ohio	Gulf Ports
Plates:	Pacific Coast Ports
Pittsburgh, Pa.	Strip steel—Cold-rolled:
Chicago, Ill.	Pittsburgh, Pa.
Gary, Ind.	Cleveland, Ohio
Birmingham, Ala.	Worcester, Mass.
Coatesville, Pa.	Strip steel—Hot-rolled:
Sparrows Point, Md.	Pittsburgh, Pa.
Gulf Ports	Chicago, Ill.
Pacific Coast Ports	Structural shapes:
Railroad tie plates:	Pittsburgh, Pa.
Pittsburgh, Pa.	Buffalo, N. Y.
Buffalo, N. Y.	Chicago, Ill.
Chicago, Ill.	Birmingham, Ala. (standard shapes
Birmingham, Ala.	only).
St. Louis, Mo.	Bethlehem, Pa.
Kansas City, Mo.	Gulf Ports
Minnequa, Colo.	Pacific Coast Ports
Weirton, W. Va.	Tin plate, tin mill black plate and terne
Portsmouth, Ohio.	plate:
Steelton, Pa.	Pittsburgh, Pa.
Pacific Coast Ports	Gary, Ind.
Railroad track spikes:	Pacific Coast Ports
Pittsburgh, Pa.	Tubes—Boiler:
Buffalo, N. Y.	Pittsburgh, Pa.
Cleveland, Ohio	Tube rounds:
Chicago, Ill.	Pittsburgh, Pa.
Birmingham, Ala.	Buffalo, N. Y.
Youngstown, Ohio	Cleveland, Ohio
Portsmouth, Ohio	Chicago, Ill.
Weirton, W. Va.	Birmingham, Ala.
St. Louis, Mo.	Wheels—Car, rolled steel:
Kansas City, Mo.	Pittsburgh, Pa.
Minnequa, Colo.	Chicago, Ill.
Philadelphia, Pa.	Wire—Drawn, except as hereinafter
Lebanon, Pa.	specified:
Columbia, Pa.	Pittsburgh, Pa.
Richmond, Va.	Cleveland, Ohio
Jersey City, N. J.	Chicago, Ill.
Pacific Coast Ports	Birmingham, Ala.
Sheet bars:	Anderson, Ind.
Pittsburgh, Pa.	Duluth, Minn.
Buffalo, N. Y.	Worcester, Mass.
Cleveland, Ohio	Gulf Ports
Chicago, Ill.	New Orleans, La.
Youngstown, Ohio	Galveston, Tex.
Canton, Ohio	Houston, Tex.
Sparrows Point, Md.	Pacific Coast Ports
Sheets:	Wire nails and staples, barbed wire,
Pittsburgh, Pa.	and wire fencing:
Gary, Ind.	Pittsburgh, Pa.
Birmingham, Ala.	Cleveland, Ohio
Pacific Coast Ports	

Wire nails and staples, barbed wire, and wire fencing—Continued.	Wire—Spring:
Chicago, Ill.	Pittsburgh, Pa.
Birmingham, Ala.	Cleveland, Ohio
Anderson, Ind.	Chicago, Ill.
Duluth, Minn.	Worcester, Mass.
Gulf Ports	Pacific Coast Ports
Pacific Coast Ports	Wire—Telephone:
Wire rods:	Pittsburgh, Pa.
Pittsburgh, Pa.	Cleveland, Ohio
Cleveland, Ohio	Waukegan, Ill.
Chicago, Ill.	Muncie, Ind.
Birmingham, Ala.	Trenton, N. J.
	Worcester, Mass.
	Sparrows Point, Md.

SCHEDULE G—MAXIMUM RATES OF DISCOUNT FOR EARLY PAYMENT AND MAXIMUM PERIODS OF FREE CREDIT

Maximum Rates of Discount for Early Payment

In the case of products shipped from plants located east of the Mississippi River to Pacific Coast Ports and which shall be invoiced from such plants— $\frac{1}{2}$ of 1%, if the invoice of such products shall be paid within 25 days from the date of such invoice; in all other cases— $\frac{1}{2}$ of 1%, if the invoice of such products shall be paid within 10 days from the date of such invoice; provided, however, in the latter cases, that any member of the Code may allow such discount of $\frac{1}{2}$ of 1% for payment within 10 days on the basis of settlements three times in each month, as follows:

(1) On invoices for products dated from the 1st to the 10th, inclusive, in any month, such discount may be allowed on payment of such invoices on or before the 20th of such month;

(2) On invoices for products dated from the 11th to the 20th, inclusive, in any month, such discount may be allowed on payment of such invoices on or before the 30th of each month; and

(3) On invoices for products dated from the 21st to the end of any month, such discount may be allowed on payment of such invoices on or before the 10th of the next following month.

Any discount allowed in accordance with the provisions of this Schedule G shall apply only to the invoiced value of the products specified therein and not to any part of the transportation charges on such products.

Maximum Periods of Free Credit

In the case of products shipped from plants located east of the Mississippi River to Pacific Coast ports and which shall be invoiced from such plants—45 days; in all other cases—30 days.

SCHEDULE H—LIST OF UNFAIR PRACTICES

For all purposes of the Code the following described acts shall constitute unfair practices:

A. Making or promising to any purchaser or prospective purchaser of any product, or to any officer, employee, agent or representative of any such purchaser or prospective purchaser, any bribe, gratuity, gift or other payment or remuneration, directly or indirectly.

B. Procuring, otherwise than with the consent of any member of the Code, any information concerning the business of such member which is properly regarded by it as a trade secret or confidential within its organization, other than information relating to a violation of any provision of the Code.

C. Imitating or simulating any design, style, mark, or brand used by any other member of the Code.

D. Using or substituting any material superior in quality to that specified by the purchaser of any product or using or substituting any material or any method of manufacture not in accord with any applicable law, rule, or regulation of any governmental authority.

E. Cancelling, in whole or in part, or permitting the cancellation in whole or in part of any contract of sale of any product, except for a fair consideration, or paying or allowing to any purchaser in connection with the sale of any product any rebate, commission, credit, discount, adjustment, or similar concession other than as is permitted by the Code and specified in the contract of sale.

F. Disseminating, publishing, or circulating any false or misleading information relative to any product or price for any product of any member of the Code, or the credit standing or ability of any member thereof to perform any work or manufacture or produce any product, or to the conditions of employment among the employees of any member thereof.

G. Inducing or attempting to induce by any means any party to a contract with a member of the Code to violate such contract.

H. Aiding or abetting any person, firm, association, or corporation in any unfair practice.

I. Making or giving to any purchaser of any product any guaranty or protection in any form against decline in the market price of such product.

J. Stating in the invoice of any product as the date thereof a date later than the date of the shipment of such product, or including in any invoice any product shipped on a date earlier than the date of such invoice.

K. Making any sale or contract of sale of any product under any description which does not fully describe such product in terms customarily used in the Industry.

L. Rendering to any purchaser of any product in or in connection with the sale of such product any service, unless fair compensation for such service shall be paid by such purchaser.

M. Any violation of any other provision of the Code, whether or not therein expressed to be such, or using or employing any practice not hereinabove in this Schedule H described which the Board of Directors by the affirmative vote of three fourths of the whole Board shall have declared to be a practice that would tend to defeat the policy of Title I of the National Industrial Recovery Act and, therefore, an unfair practice, and of which determination by such Board the Secretary shall have given notice to the members of the Code and to the President.

"EXHIBIT No. 2216" is on file with the committee.

EXHIBIT No. 2217

[Copy]

AMERICAN IRON AND STEEL INSTITUTE
350 Fifth Avenue, New York

JULY 12, 1935.

LUKENS STEEL COMPANY,
Coatesville, Pennsylvania.

(Attention: Mr. J. Frederick Wiese, Asst. to Vice-President.)

DEAR SIRS: I have received your letter of July 6, in which it is stated that you sell Locomotive Fire Box and Boiler Steel to most of the railroads in the country, and that from time to time the Institute has sent you figures representing divisions and mileages incident to quoting to the railroads. It is stated in your letter that the total number of railroads from which this information has been furnished is a small portion of the railroads of the country which purchase your steel, and you ask if it is not possible for us to furnish you the figures pertaining to the balance of the railroads, stating that these figures must be available by this time as this method of quoting must have been followed for a good many months.

The information sheets showing minimum divisions and short line mileages which we have distributed to members of the industry have been furnished to us by most of the railroads in the eastern part of the United States. We have, however, been unable to obtain information from carriers in the southern and western parts of the United States and from many of the so-called short line railroads. We are advised that the southern lines have no stated divisional arrangements with the northern lines, and it appears that divisions must be arranged as shipments move or at stated intervals as the southern carriers usually specify that the information as to minimum divisions is not guaranteed as to permanency.

The western lines' divisional arrangements with the eastern lines are so complicated that most of the western carriers apparently prefer to advise information as to minimum divisions and short line mileages as the occasion for their use arises. One of the western railroads, the Southern Pacific, has indicated that they show the information as to divisions, junction points and mileages on the inquiry which their Purchasing Department sends out, and for this reason this particular line feels it inadvisable to furnish the information to us for distribution to the various members of the industry, and practically all of the southern and western lines have indicated their willingness to supply the information when it is requested.

This Department has received numerous requests from various shippers of steel products for information as to foreign line divisions and short line mileages to enable such shippers to quote and bill proper delivered prices, and we have communicated with such railroads either by telephone, telegraph or letter and in all cases this information has been furnished to us; and we have transmitted such information to the shipper who has requested us to obtain it. Therefore, I should like to suggest that should your Company desire information as to minimum divisions and short line mileages from any of the railroads in the United States, which information has not been furnished to date and you will advise us stating the basing point or points from which you wish this information secured, it will be our pleasure to endeavor to secure it for you and advise you promptly. Should you desire us to secure same information from your shipping points, if you will state the name of your shipping points, we will endeavor to secure this information also.

In the second paragraph of your letter, it is stated that it is most difficult to figure the proper prices and freight allowances since the emergency rate became effective. You refer in your letter to the Chicago and Eastern Illinois Railroad destination—Dolton, Ill., for which point the Chicago and Eastern Illinois Railroad has indicated on the sheets furnished by such railroad that the foreign lines received 100% of the through rate less a switching charge of 2 cents per 100 lbs., minimum 60,000 pounds per car, which accrues to the Chicago and Eastern Illinois Railroad, and you inquire as to whether this switching charge per 100 pounds has been increased by 10% in compliance with the decision of the Interstate Commerce Commission in Ex Parte 115.

The carriers themselves for a considerable length of time after April 18th, the date the emergency charge became effective, were not agreed among themselves regarding the proper method of dividing the freight rate and the emergency charge. However, the various carriers have now agreed that where the through rate is divided by a percentage with no terminal deduction, the emergency charge will be divided by the same percentage as the freight rate is divided. In other words, emergency charge is added to the freight rate and the total through rate thus obtained is divided by these percentages. However, in the case of deductions for terminal allowances, switching charges, bridge tolls, etc., which are deducted from the through rate before the rate is prorated, the method which has been adopted, is as follows:

The rate in effect before the emergency charge is applied is divided strictly in accordance with the divisions furnished after making the proper deductions. After ascertaining the total amount of the through rate accruing to foreign lines in this manner, the through rate without the emergency charge added is divided into the foreign line proportion as ascertained hereinabove, and a new percentage is arrived at which the carriers indicate as a revenue prorate. This revenue prorate is then applied to the emergency charge alone and the proportion of the emergency charge determined in this manner is added to the foreign line proportion indicated hereinabove, in order to determine the total amount accruing to foreign lines.

As applied to a shipment of steel products from Pittsburgh, Pa. to Dolton, Ill. on the Chicago and Eastern Illinois Railroad, the foreign line division is ascertained as follows:

The carload rate from Pittsburgh to Dolton before the emergency charge was added, was 34¢, the emergency charge being 2 cents, making the total rate 36 cents. Deducting the 2 cents per hundred pounds minimum 60,000 lbs. switching charges of the Chicago and Eastern Illinois Railroad from the rate of 34 cents leaves a balance accruing to foreign lines, of 32¢. Dividing the foreign line proportion of 32¢ by the through rate of 34¢ produces a revenue prorate of 94%, and 94% of the emergency charge of 2¢ amounts to \$.0188 which is added to the 32¢ indicated hereinabove, making the total amount of charges accruing to foreign lines, of \$.3388, which under the disposition of fractions becomes \$.339.

It will be noted that the division of emergency charge in this manner allows an increase of approximately 7% to the 2 cents switching charge and not 10% as referred to in your letter.

If the information given above does not set you straight in the matter, I would be pleased to hear further from you.

Very truly yours,

ETB:HM

B

There is no EXHIBIT No. 2218

There is no EXHIBIT No. 2219

EXHIBIT No. 2220

[Copy]

LUKENS STEEL COMPANY,
Coatesville, Pa., July 6, 1935.

Mr. R. K. KEAS,
*Sec. Traffic Comm., American Iron and Steel Institute,
350 Fifth Avenue, New York, N. Y.*

DEAR SIR: As you know, we sell Locomotive Firebox and Boiler Steel to most of the railroads in the country. From time to time the Institute has sent us figures representing divisions and mileages incident to quoting the railroads under the provisions of A-8. However, of the total railroads purchasing Lukens' steel a very few have submitted the necessary figures. Can't you possibly furnish us with the figures pertaining to the balance of the railroads? Certainly, these figures must be available by this time as the practice of quoting under the stipulations of A-8 has been followed for a good many months.

It is most difficult to figure the proper prices and freight allowances now since the emergency rate became effective. So many individual problems come up; for instance, you have furnished us with figures relative to the Chicago & Eastern Illinois Railroad. That tabulation of figures shows a 2¢ switching charge for Dolton, Ill. This means that the balance of the through rate from Coatesville to Dolton was considered as prorate. Has the emergency charge increased this switching charge by 10% or has that rate remained constant, thereby increasing the prorate by 2¢?

Anything you can do for us in this connection will certainly be appreciated.

Very truly yours,

LUKENS STEEL COMPANY.
(Sgd) J. FREDERIC WIESE,
Assistant to Vice President.

JFW/PDB

EXHIBIT No. 2221

[Copy]

AMERICAN IRON AND STEEL INSTITUTE
350 Fifth Avenue, New York

OCTOBER 15, 1935.

Mr. H. C. DEVINE,
*Purchasing Agent, St. Louis-Southwestern Railway Lines,
Cotton Belt Building, St. Louis, Missouri.*

DEAR SIR: A member of the industry has furnished us the attached statement showing through rates, carload and less carload, on boiler tubes from basing and shipping points to consuming points on the St. L. S. W. Railway System and the proportion accruing to foreign lines, together with the costs from the junction with the foreign line to the destination based on your short-line mileage figured

at five mills per ton per mile and has informed us that this statement was furnished by your office.

Your attention is directed to the figures shown in the column headed "Cost per 100 lbs. at .005 per ton per mile from junction to destination." To the destination Pine Bluff, Arkansas, you show a short-line mileage of 398 miles as figuring 9.9¢, whereas this should read 9.95¢ which under our rule covering the disposition of fractions becomes 10¢. This will have the effect of increasing the total freight factor from the various shipping and basing points shown by one-tenth of a cent as per figures shown on the attached statement in pencil.

We desire to furnish a copy of this statement to all members of the industry producing boiler tubes, but before doing so would appreciate your advising us if you agree the change referred to above is correct and also inform us if you have any other corrections on this form since same was distributed as we desire very much to have the information correct before distributing to members of the industry.

Very truly yours,

B

ETB:AC

EXHIBIT No. 2222

[Copy]

AMERICAN IRON AND STEEL INSTITUTE

350 Fifth Avenue, New York

JULY 18, 1935.

Mr. J. W. RIMMER,
*Vice President, Boston and Maine Railroad,
Boston, Massachusetts.*

DEAR SIR: This will acknowledge your letter of July 17, your File 8-23, wherein you refer to your letters of April 13, 1934 and May 1 and 10, 1935 having reference to divisions and mileages from certain basing points to points of delivery on the Maine Central Railroad. It is noted that since these statements were prepared a new routing arrangement has been entered into between Canadian National and the Maine Central whereby all traffic is interchanged at either Danville Junction or Yarmouth Junction, rather than at North Stratford; and for these extra haulage by the Canadian National the Maine Central allows the Canadian National 15 per cent of its North Stratford earnings less the arbitrary shown on the statements furnished to us.

It is further noted the example as to how this division of the rates will work and we are arranging to correct the sheets which we have furnished to the members of the Industry to reflect the changes advised by you. There are certain points, however, that we would like to be definitely informed about. Take for illustration: Evanston, Illinois—On your sheet you show the minimum division to junction of purchasing line—73.9%—using the formula indicated in your letter will produce a foreign line division of 79.315%. We have dropped the last two fractions on this figure and are calling the percentage accruing to foreign lines 79.3%. Is this in accordance with your understanding of how the matter should be handled?

From Canton, Ohio you show foreign line divisions 69%. Using the formula prescribed in your letter you arrive at a foreign line percentage of 73.65%. We are showing this 73.7%. In other words, we are dropping all fractions less than .5% and increasing all fractions from .5% to .9% to the next higher unit. We would appreciate your advising us if this is in line with your understanding. The same method of procedure is carried out in each instance where a fraction runs more than two places.

Please let us have an early reply as we are withholding distribution of this information to the members of the Industry pending your approval of this method of handling disposition of fractions in these percentages.

Very truly yours,

(Signed) B

ETB:HM

EXHIBIT No. 2223

[Copy]

AMERICAN IRON AND STEEL INSTITUTE

350 Fifth Avenue, New York

SEPTEMBER 9, 1935.

LOCKHART IRON AND STEEL CO,
Pittsburgh, Pennsylvania.

(Attention: Mr. E. H. Paschold.)

DEAR SIR: I have received your letter of September 4, in which you refer to the carload and less carload rates applying from Pittsburgh, Pa. to the New York Central Railroad at Springfield, Mass., and inquire if the figures you have shown in your letter are not the proper figures arrived at by the use of the minimum divisions and short line mileages furnished by the New York Central System Lines.

For your information I wish to advise that the figures shown in your letter are not the correct figures in accordance with the method used by the carriers in dividing the emergency charge. The various carriers have adopted a rule among themselves that where there are minimum foreign line proportions or terminal deductions to be made from the through rate before the rate is prorated, the emergency charge is divided by the use of a revenue prorate which is arrived at by dividing the through rate into the amount accruing to each line.

In the particular case to which you refer, where the carload and less than carload rate without the emergency charge added from Pittsburgh, Pa. to Springfield, Mass. is 38¢ and 48¢ respectively, the proper division of both rates are arrived at as follows: Since the amount accruing to foreign lines is 8% of the through rate and this amount is less than 5¢ on both carload and less than carload rates, then the minimum division becomes 5¢ per 100 pounds. The revenue prorate in each case is arrived at by dividing the carload and less carload rate into 5¢ per 100 pounds or the minimum division. In the case of carload shipments, 38¢ divided into 5¢ produces a revenue prorate of 13% and since the emergency carload charge is 2¢, 13% of 2¢ amounts to .0026¢ and adding this amount to the 5¢ minimum charge makes a total foreign line proportion of .0526, which under the rule covering the disposition of fractions becomes .053¢. To this amount is added five mills (.005) per ton for 581 miles for the short line mileage from Youngstown, Ohio to Springfield, Mass., which amounts to .14525¢ and becomes under the rule covering the disposition of fractions .145¢, making the total freight factor applying on carload shipments from Pittsburgh to Springfield the total of .053¢ and .145¢ or .198¢.

On less carload shipments the revenue prorate is determined by dividing the less carload rate into 5¢ which produces a revenue prorate of 10%. Ten percent of the less carload emergency charge of 4.8¢ amounts to .0048¢ and adding this amount to the minimum foreign line division of 5¢ produces a total foreign line division of .0548¢, which under the rule of the disposition of fractions becomes .055¢ and adding to this amount .0145¢, the charge for 581 miles, five mills (.005) per ton produces a less carload freight factor of 20¢.

I trust that I have made the method to be used in the above transaction perfectly clear to you, but if there is anything which is not entirely clear, I shall appreciate it if you will write me further in connection with the matter.

Very truly yours,

B

ETB:HK

There is no EXHIBIT No. 2224

EXHIBIT No. 2225

[Copy]

LOCKHART IRON AND STEEL CO.,
Pittsburgh, Pa., September 4th, 1935.

Mr. R. K. KEAS,
Secretary, Traffic Committee, American Iron and Steel Institute,
350 Fifth Avenue, New York, N. Y.

DEAR SIR: Will you kindly advise if we are correct in the division of the freight cost, per Commercial Resolution A 8, on shipments of Iron and Steel bars to the New York Central Railroad, consuming point Springfield, Mass.?

CARLOAD from Pittsburgh, Pa.

.38	published rate
.02	emergency charge

.40 8% foreign division, .032; minimum .05

LESS CARLOAD from Pittsburgh, Pa.

.48	published rate
.048	emergency charge

.528 8% foreign division, .0428; minimum .05

line haul Youngstown to Springfield, Mass. 581 miles, at .145; or a total freight cost of .195.

Thanking you for your courtesy extended, we are

Yours very truly,

LOCKHART IRON & STEEL COMPANY.
(Sgd) E. H. PASCHOLD.

EHP.P

EXHIBIT No. 2226

[Copy]

AMERICAN IRON AND STEEL INSTITUTE
350 Fifth Avenue, New York

BETHLEHEM, PA., January 29th, 1934.

Mr. S. E. HACKETT,
Chairman, Commercial Committee,
American Iron and Steel Institute, Pittsburgh, Pa.

DEAR SIR: The Traffic Committee recommends the passing of a resolution making the use of Tariff No. 2 mandatory in the figuring of prices under the Code. While every effort has been made to figure minimum rates, it is not humanly possible to obtain accuracy in each and every instance, bearing in mind that the half million rates published have been compiled by some hundred and fifty men. As errors are discovered the incorrect rate will be changed, but until the change appears in a supplement to the tariff it is our opinion it should not be used for sales purposes. Certain branches of the industry have for years followed such a practice. We urge that, if possible, it be generally adopted.

Very truly yours,

(Sgd) H. C. C.,
Chairman, Traffic Committee.

Copy to:

Mr. R. K. Keas
Mr. W. S. Tower.

There is no EXHIBIT No. 2227.

EXHIBIT No. 2228

[Copy]

READING IRON COMPANY

General Executive and Sales Offices, 401 North Broad Street

PHILADELPHIA, PA.

Cable Address:
Readiron, Philadelphia, Pa.

Nov. 27, 1935.

Mr. E. T. BUTLER,
Secretary—Traffic Committee, American Iron & Steel Institute,
350 Fifth Ave., New York, N. Y.

DEAR SIR: Tariff No. 3 shows LCL rate, Coatesville, Pa. to Albermarle, N. C. 68¢.

In Eastern Points—Carolina Tariff I. C. C. 646, the LCL rate from Coatesville to Albemarle, N. C. is 57.5¢.

You doubtless will desire to have the lower rate published in lieu of the 68¢ rate.

Yours very truly,

(Sgd.) ARTHUR G. GARVEY,
General Traffic Manager.

AGG:S

EXHIBIT No. 2229

[Copy]

(Letterhead of)

JOHN M. GROSS,
 Vice President
 H. C. CRAWFORD,
 Traffic Manager
 W. H. GANTT,
 Asst. Traffic Manager

BETHLEHEM STEEL COMPANY
(Incorporated)

BETHLEHEM, PA.

DECEMBER 2, 1935.
Desk R-13

Mr. E. T. BUTLER,
American Iron and Steel Institute,
#350 Fifth Avenue, New York, N. Y.

DEAR SIR: In reply to your letter of November 29th, in connection with which you sub-joined a letter from a subscriber, with reference to the proper rate on less carload shipments from Coatesville, Pa., to Albermarle, N. C.

The less carload freight rate of 68 cents per 100 pounds, as shown in Institute Freight Tariff No. 3, is in error. The correct basis is 57½ cents. We are taking the necessary to have this erroneous rate rectified in next supplement to tariff in question.

Yours very truly,

(Sgd.) W. H. GANTT,
Assistant Traffic Manager.

EXHIBIT No. 2230

[Copy]

CHARLES H. LONGFIELD,
General Manager of Sales

THE YOUNGSTOWN SHEET AND TUBE COMPANY,
Youngstown, Ohio, April 11, 1935.

Mr. H. C. CRAWFORD,
Chairman, Traffic Committee,
c/o Bethlehem Steel Company, Bethlehem, Pa.

DEAR SIR: On February 22 we replied to your letter of February 12 relating to the disposition of fractions in the quoting of delivered prices. This proposal, as we understand it, is concerned only with delivered prices, but in view of the recent development at Canton, Miss. we believe that there should be included in this

proposal a ruling to the effect that where it is necessary to name a basing point price for discount purposes, the same rule regarding fractions should apply.

We are sure that your Pipe Department is familiar with the Canton, Miss. job, to which we refer. There was involved on a P. W. A. project approximately \$60,000.00 of pipe, on which all bidders named a uniform delivered price, decimals being carried in two places, in accordance with usual practice.

It was necessary to name a basing point price for discount purposes, and two concerns carried the basing point price to three places, one concern, however, making a mistake in figuring the price, but the successful bidder, which was Republic, has been awarded the business because carrying the basing point price to three places resulted in their bid being 12 cents low.

Unless you include a ruling on basing point price, as well as delivered price, this will no doubt happen again.

Yours very truly,

THE YOUNGSTOWN SHEET AND TUBE CO.
(signed) C. H. LONGFIELD,
General Manager of Sales.

CHL-M.

EXHIBIT NO. 2231

Analysis of "Government Tonnage, 1938" (Exhibit 2211) and "Government Tonnage Record First Quarter 1939" (Exhibit 2210) Supplied by United States Steel Corporation as Basic Data Underlying Statement on Page 34 of Exhibit 1418

	Section One					Section Two			Section Three		
	Value of all Awards	Segregation by Character of Product and "One-Bidder Awards"				(Aggregate—Column 2) Rolling Mill Products			(Aggregate—Column 3) All Other Steel Products		
		Value of Rolling Mill Products (2)	Value of all Other Steel Products (3)	Value of other Products (4)	Value of One-Bidder Awards (5)	Awards by "Lot-Tie" Bids (6)	Awards at "Lower Price" (7)	Awards at Other than Price (8)	Awards by "Lot-Tie" Bids (9)	Awards at "Lower Price" (10)	Awards at Other than Price (11)
Year 1938:											
By Rolling Mills 1.....	\$15,210,262.82	\$3,185,504.23	\$10,390,261.20	\$1,483,297.37	-----	\$351,011.88	\$2,785,002.53	\$49,489.82	\$247,799.03	\$10,134,868.89	\$7,593.28
By Others 1.....	3,079,094.78	791,643.40	1,273,580.98	1,013,870.34	-----	53,090.70	738,232.64	320.12	126,855.76	1,094,332.38	52,392.84
Total.....	18,289,357.60	3,977,147.69	11,663,842.18	2,497,167.71	\$151,200.02	404,102.58	3,523,235.17	49,809.94	374,654.79	11,229,201.27	59,986.12
First Quarter, 1939:											
By Rolling Mills 1.....	9,524,754.08	1,008,422.32	5,690,375.06	1,485.27	-----	180,399.26	804,398.79	23,624.27	6,188.73	5,683,205.83	980.50
By Others 1.....	627,639.41	237,500.75	287,168.66	102,970.00	-----	114,732.96	122,767.79	-----	22,693.79	254,140.37	10,334.50
Total.....	10,152,393.49	1,245,923.07	5,977,543.72	104,455.27	2,824,471.43	295,132.22	927,166.58	23,624.27	28,882.52	5,937,346.20	11,315.00
Total Rolling Mills.....	24,735,016.30	4,193,926.55	16,080,636.26	1,484,782.64	-----	531,411.14	3,589,401.32	73,114.09	253,987.76	15,818,074.72	8,573.78
Total By Others.....	3,706,734.19	1,029,144.21	1,560,749.64	1,116,840.34	-----	167,823.66	861,000.43	320.12	149,549.55	1,348,472.75	62,727.34
Total Awards.....	28,441,751.09	5,223,070.76	17,641,385.90	2,601,622.98	2,975,671.45	699,234.80	4,450,401.75	73,434.21	403,537.31	17,166,547.47	71,301.12

1 As listed in Iron and Steel Works Directory of United States and Canada, 1938.

2 Concerns not listed as producers in Iron and Steel Works Directory of U. S. and Canada, 1938.

CAPACITY
MILLIONS
OF
TONS

TOTAL STEEL INGOT CAPACITY, UNITED STATES (Gross Tons)
YEARS 1901-1938;⁽¹⁾ INGOT CAPACITY, UNITED STATES STEEL
CORPORATION, YEARS 1901-1938;⁽¹⁾ TOTAL INGOT PRODUCTION,
UNITED STATES (Gross Tons) YEARS 1901-1938⁽¹⁾

(1) UNITED STATES STEEL CORPORATION EXHIBIT FOR IDENTIFICATION #1409.

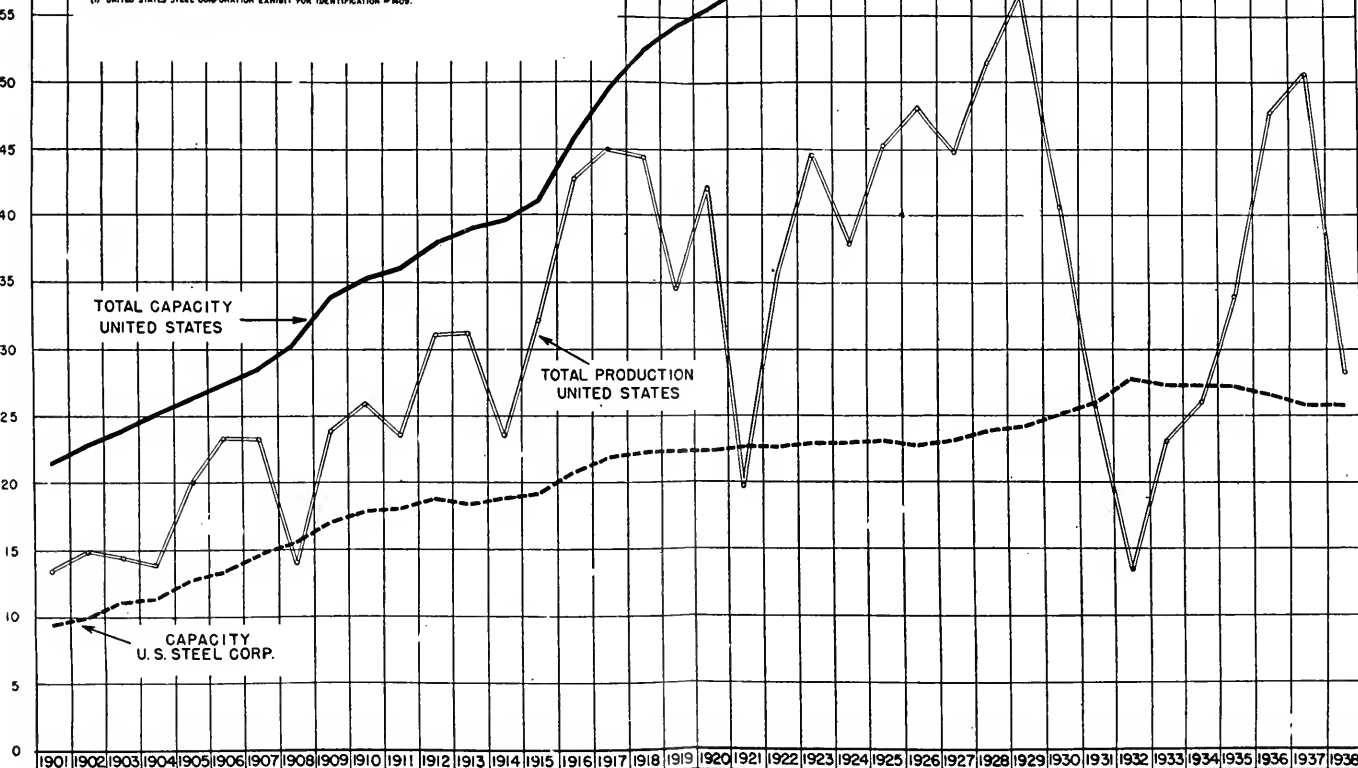


EXHIBIT No. 2232

Numerical Measurement of Awards for Rolling Mill Products and All Other Steel Products

AWARDS FOR ROLLING MILL PRODUCTS

	No. of Bids	%
Number of awards to producers of Rolling Mill Products.....	514	100.00
At Tie-Bids.....	138	73.15
At Unlike Bids.....	16	10.46
Number of awards to nonproducers.....	182	100.00
At Tie-Bids.....	16	8.79
At Unlike Bids.....	166	91.21
Total, Awards for Rolling Mill Products.....	696	100.00
At Tie-Bids.....	154	22.13
At Unlike Bids.....	542	77.87

AWARDS FOR ALL OTHER STEEL PRODUCTS

Number of awards to producers of Rolling Mill Products.....	421	100.00
At Tie-Bids.....	55	13.06
At Unlike Bids.....	366	86.94
Number of awards to nonproducers.....	784	100.00
At Tie-Bids.....	104	13.27
At Unlike Bids.....	680	86.73
Total, Awards for all Other Steel Products.....	1205	100.00
At Tie-Bids.....	159	13.19
At Unlike Bids.....	1046	86.81

EXHIBIT No. 2234

Total United States Capacity (Gross Tons) for the Production of Hot Rolled Sheet and Hot Rolled Strip Steel, 1938;¹ Individual and Total Capacities of the 16 Principal Producers of Sheet and Strip Steel for 1938;¹ and Ratio of Production² to Total Capacity

Company	Annual Capacities, Gross Tons		
	Sheets	Strip	Total
Acme Steel Co.....		430,000	430,000
Allegheny Ludlum Steel Corp.....	200,000	270,000	470,000
American Rolling Mill Co. (The).....	1,394,000		1,394,000
Bethlehem Steel Co.....	1,118,000		1,118,000
Empire Sheet & Tin Plate Co.....	155,600		155,600
Granite City Steel Co.....	135,000		135,000
Inland Steel Co.....	400,000	150,000	550,000
Jones & Laughlin Steel Corp.....	282,000	78,000	360,000
National Steel Corp. Sub. Cos.....	849,000	590,000	1,439,000
Otis Steel Co. (The).....	300,000	200,000	500,000
Republic Steel Corp.....	1,499,000	551,000	2,050,000
Sharon Steel Corp.....		325,400	325,400
Superior Steel Corp.....		120,500	120,500
U. S. Steel Corp. Sub. Cos.....	1,621,500	1,035,500	2,657,000
Wheeling Steel Corp.....	408,000		408,000
Youngstown Sheet & Tube Co. (The).....	750,000		750,000
Total, 16 Companies.....	9,112,100	3,750,400	12,862,500
Total U. S. Capacity (52 companies).....	10,663,650	4,286,300	14,949,950
Production ²	4,507,415	1,317,083	5,824,498

Ratio of production to capacity of 16 principal producers..... 45.3%
 Ratio of production to total U. S. Capacity..... 39%

¹ American Iron and Steel Works Directory of United States and Canada, 1938, published by American Iron and Steel Institute.

² "As reported by companies comprising more than 95% of the capacity and production of the industry," Annual Statistical Report, American Iron and Steel Institute, 1938, page 43.

EXHIBIT No. 2235

TOTAL CAPACITY (IN GROSS TONS) UNITED STATES, FOR PRODUCTION OF HOT ROLLED SHEET AND HOT ROLLED STRIP STEEL;¹ ANNUAL CAPACITY (IN GROSS TONS) OF THE SIXTEEN PRINCIPAL PRODUCERS OF HOT ROLLED SHEETS AND HOT ROLLED STRIP;¹ PRODUCTION, UNITED STATES, HOT ROLLED SHEETS AND HOT ROLLED STRIP.²

(1) As shown in Iron and Steel Works Directory of United States and Canada, 1938, published by American Iron and Steel Institute.

(2) "Production for steel (as reported by companies comprising more than 95% of the capacity and production of the industry)," as shown in Annual Statistical Report, 1938, of American Iron and Steel Institute.

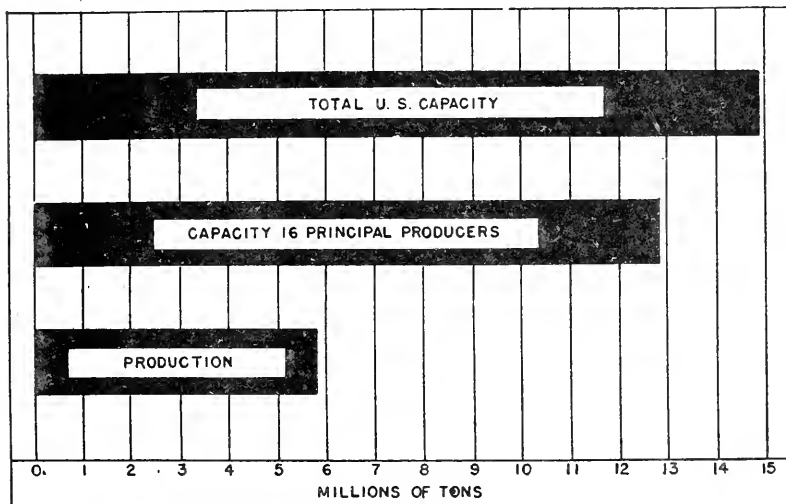


EXHIBIT No. 2236

Excerpts from "Financial Analysis of the Steel Industry" published by the magazine "Steel" and/or its predecessor "Iron Trade Review," 1928-1938, purporting to show certain facts respecting certain producers of rolled steel having a rated annual ingot capacity in excess of one million tons

RATED INGOT CAPACITY, GROSS TONS

Name of company	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928
United States Steel Corp.	25,750,000	25,750,000	25,772,400	26,657,000	27,341,900	27,341,900	27,341,900	27,841,300	26,075,000	24,201,500	23,495,100
Bethlehem Steel Corp.	10,042,000	9,360,000	9,360,000	9,360,000	9,360,000	9,360,000	9,360,000	9,540,000	8,610,000	8,000,000	8,000,000
Republic Steel Corp.	6,500,000	6,354,312	6,053,000	6,053,000	5,013,000	5,013,000	4,968,000	4,968,000	4,968,000	"Not formed in 1929"	"Not formed in 1929"
Jones & Laughlin Steel Corp.	3,660,000	3,660,000	3,660,000	3,660,000	3,660,000	3,660,000	3,420,000	3,420,000	3,420,000	3,270,000	3,270,000
Youngstown Sheet & Tube Co.	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	2,717,000	3,247,200
National Steel Corp.	3,400,000	2,700,000	2,700,000	2,240,000	2,232,000	2,232,000	2,232,000	2,232,000	2,000,000	2,000,000	2,000,000
American Rolling Mill Co.	2,669,520	2,351,120	2,351,120	2,431,720	2,431,720	2,200,000	2,200,000	1,902,000	1,902,000	"Not formed in 1929"	"Not formed in 1929"
Inland Steel Co.	2,340,000	2,340,000	2,340,000	2,090,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	1,557,500	1,467,000
Wheeling Steel Corp.	1,750,000	1,750,000	1,750,000	1,750,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,800,000	1,600,000
										1,500,000	1,273,000

CAPITALIZATION PER TON INGOT CAPACITY

United States Steel Corp.	\$60.01	\$66.61	\$65.28	\$62.97	\$71.02	\$71.70	\$73.40	\$75.52	\$82.56	\$83.12	\$92.79
Bethlehem Steel Corp.	64.67	70.16	67.18	63.54	65.34	66.45	67.84	70.44	77.86	91.85	75.68
Republic Steel Corp.	49.31	51.53	51.12	45.53	47.21	48.56	50.10	52.81	55.52	"Not formed in 1929"	"Not formed in 1929"
Jones & Laughlin Steel Corp.	57.35	54.27	54.71	46.36	46.79	47.51	53.16	56.60	59.05	58.17	69.00
Youngstown Sheet & Tube Co.	73.04	63.95	63.92	62.18	61.32	62.93	66.13	71.43	68.23	79.29	62.03
National Steel Corp.	55.62	66.55	62.65	72.41	65.37	63.75	64.55	66.08	57.30	"Not formed in 1929"	"Not formed in 1929"
American Rolling Mill Co.	48.30	51.98	43.31	44.98	40.72	43.62	46.72	56.06	59.63	58.47	83.25
Inland Steel Co.	61.27	61.27	52.93	54.00	47.55	46.95	50.27	52.82	47.81	53.26	57.76
Wheeling Steel Corp.	62.44	63.07	62.75	60.53	66.25	65.75	66.64	70.53	75.90	75.36	80.78

TOTAL EARNINGS PER TON INGOT CAPACITY

United States Steel Corp.	\$80.02	\$3.88	\$2.15	\$0.23	\$80.61	\$71.14	\$82.41	\$80.66	\$4.22	\$88.05	\$55.95
Bethlehem Steel Corp.	1.23	2.18	2.18	1.23	0.78	0.21	1.33	0.01	3.60	6.68	3.73
Republic Steel Corp.	1.55	2.20	2.41	1.35	0.03	0.13	1.56	1.00	0.05	"Not formed in 1929"	"Not formed in 1929"
Jones & Laughlin Steel Corp.	1.04	1.73	1.46	0.03	0.61	1.36	2.18	1.52	2.82	6.56	5.40
Youngstown Sheet & Tube Co.	1.65	4.74	4.56	1.88	0.55	1.24	3.05	0.86	3.42	9.29	4.39
National Steel Corp.	1.67	7.49	5.50	5.98	3.89	2.04	1.70	2.94	4.61	"Not formed in 1929"	"Not formed in 1929"
American Rolling Mill Co.	1.45	3.68	3.25	2.79	1.33	0.67	0.09	0.41	1.05	4.94	8.88
Inland Steel Co.	1.90	6.21	6.24	5.69	2.83	1.07	0.72	1.66	3.89	7.25	6.61
Wheeling Steel Corp.	1.15	3.30	3.20	2.74	1.27	0.41	1.15	1.11	2.93	8.88	6.50

PERCENT TOTAL EARNINGS ON CAPITALIZATION

	0.04%	5.83%	3.30%	0.36%	0.85%	1.59%	3.28%	0.88%	5.11%	10.11%	6.42%
United States Steel Corp.	1.91	5.91	3.25	1.94	1.20	0.33	1.97	1.12	4.63	7.28	4.03
Bethlehem Steel Corp.	1.11	4.20	4.72	2.97	0.07	0.27	3.12	2.06	0.01	Not formed in 1929	8.90
Republic Steel Corp.	1.82	3.19	2.66	0.07	1.33	2.86	4.10	0.91	4.78	11.27	7.08
Jones & Laughlin Steel Corp.	0.89	7.41	7.13	3.03	0.89	1.98	4.61	1.20	5.02	11.71	Not formed in 1929
Youngstown Sheet & Tube Co.	4.83	17.26	8.78	8.26	5.49	3.20	2.56	4.45	8.04	Not formed in 1929	10.07
National Steel Corp.	0.93	7.52	7.53	6.21	3.27	1.53	0.21	0.72	1.76	8.44	11.44
American Rolling Mill Co.	4.73	10.14	11.79	10.53	5.96	2.28	1.43	2.96	8.15	13.36	8.01
Inland Steel Co.	1.84	5.23	5.09	4.52	1.93	1.18	1.73	1.72	3.85	8.51	
Wheeling Steel Corp.											

* Indicates loss.

† Derived figure, i. e., reported total earnings (or loss) divided by ingot capacity.

NOTE: In cases where a company's reported figures for a given year differed from those of a previous report for the same year, the later figures are used.

EXHIBIT No. 2237

Relative Mill Cost of Manufacturing Structural Shapes, Plates, Merchant Bars and Black Sheets in the Pittsburgh, Chicago, Duluth, and Birmingham Districts, for the Two Months' Period of January and February 1921, and the Year 1920

Class of Product and District	January and February 1921					Year 1920						
	Production		Total Mill Cost			Number of Mills included	Production		Total Mill Cost		Num-ber of Mills in-cluded	
	Gross tons	% of total	Per Gross Tons	Higher or Lower than Pittsburgh			Gross Tons	% of Total	Per Gross Tons	Higher or Lower than Pittsburgh		
				Per ton	%					Per Ton		%
Structural shapes:												
Pittsburgh District	108,101	63.7	\$51,669			8	640,123	56.2	\$32,207			- 9
Chicago "	58,317	34.4	42,696	\$9,073	17.6	6	456,308	40.1	42,835	\$9,372	18.0	7
Birmingham "	3,233	1.9	55,551	3,882	7.5	2	42,741	3.7	52,043	164	0.3	2
Total	169,651	100.0				16	1,139,172	100.0				18
Plates:												
Pittsburgh District	232,685	67.2	\$51,556			11	1,208,249	59.5	\$48,659			11
Chicago "	89,158	25.8	47,561	\$3,995	7.7	5	664,602	32.7	47,907	752	1.5	5
Birmingham "	24,073	7.0	53,774	2,218	4.3	2	158,775	7.8	57,007	8,348	17.2	2
Total	345,916	100.0				18	2,031,626	100.0				18
Merchant bars:												
Pittsburgh District	160,469	68.2	\$51,005			31	1,333,890	56.8	\$50,319			36
Chicago "	61,557	26.1	48,277	\$3,328	6.4	12	839,270	35.7	45,683	4,636	9.2	15
Duluth "	3,220	1.4	65,392	13,787	26.7	3	110,963	4.8	58,445	8,126	16.1	3
Birmingham "	10,086	4.3	49,097	2,508	4.9	2	63,790	2.7	49,344	975	1.9	2
Total	235,332	100.0				48	2,347,913	100.0				56
Black sheets:												
Pittsburgh District	80,731	80.4	\$86,596			122	558,911	84.2	\$85,891			128
Chicago "	19,696	19.6	80,378	6,218	7.2	16	105,233	15.8	77,894	\$7,997	9.3	16
Total	100,427	100.0				138	664,144	100.0				144

EXHIBIT No. 2238

STATEMENT OF RELATIVE MILL COSTS OF FINISHED STEEL AND THE SALES PRICES THEREOF AT VARIOUS PRODUCING POINTS

BEFORE THE FEDERAL TRADE COMMISSION. *Federal Trade Commission v. United States Steel Corporation, et al.* DOCKET No. 760

COMMISSION'S EXHIBIT NO. 6852

Witness: H. E. White.

Statement of relative mill cost of plates, shapes, bars and black sheets for the year 1920, as furnished to the Federal Trade Commission under date of September 15, 1921, and the sales price of those forms at various points, based upon the chronology of Pittsburgh base price of the Carnegie Steel Company appearing herein under Exhibit Numbers 6121 and 6122 and the chronology of Pittsburgh base price of the American Sheet & Tin Plate Company appearing herein under Exhibit Number 6850 and the then current car load freight rates from Pittsburgh to the various points indicated. The column "Margin" is the difference between the mill costs as given and the sales prices, arrived at in the manner described, which correspond exactly to the prices charged, as shown by numerous documents in the record herein

	Mill Cost			Sales Price					Margin
	Gross Ton	Net Ton	Cwt.	Pitts- burgh Base Price	Rate from Pitts- burgh	Delivered Price			
						Cwt	Net Ton		
PLATES									
Pittsburgh.....	\$48.659	\$43.40	\$2.17	\$2.65	\$0.0	\$2.65	\$53.00	\$9.60	
Chicago.....	47.907	42.80	2.14	2.65	.38	3.03	60.60	17.80	
Birmingham ¹	57.007	50.90	2.55	2.65	.25	2.90	58.00	7.10	
Birmingham ²	57.007	50.90	2.55	2.65	.765	3.415	68.30	17.40	
SHAPES									
Pittsburgh.....	52.207	46.60	2.33	2.45	0	2.45	49.00	2.40	
Chicago.....	42.835	38.20	1.91	2.45	.38	2.83	56.60	18.40	
Birmingham ¹	52.043	46.50	2.32	2.45	.25	2.70	54.00	7.50	
Birmingham ²	52.043	46.50	2.32	2.45	.765	3.215	64.30	17.80	
BARS									
Pittsburgh.....	50.319	45.00	2.25	2.35	0	2.35	47.00	2.00	
Chicago.....	45.683	40.80	2.04	2.35	.38	2.73	54.60	13.80	
Birmingham ¹	49.344	44.00	2.20	2.35	.25	2.60	52.00	8.00	
Birmingham ²	49.344	44.00	2.20	2.35	.765	3.115	62.30	18.30	
Duluth.....	58.445	52.20	2.60	2.35	.66	3.01	60.20	8.00	
BLACK SHEETS									
Pittsburgh.....	85.891	76.70	3.83	4.35	0	4.35	87.00	10.30	
Chicago.....	77.894	69.50	3.48	4.35	.38	4.73	94.60	25.10	

Note:

¹ Birmingham margin based on sales price of \$5.00 per ton in excess of the Pittsburgh Base Price.² Birmingham margin and when sales price is based on full freight rate from Pittsburgh to Birmingham in effect on 6/30/22.

Before the Federal Trade Commission. Federal Trade Commission vs. United States Steel Corporation, et al. Commission's Exhibit No. 6853. Docket No. 760. Witness, H. E. White

Chart showing comparative margins between cost of producing steel and the selling prices thereof at Pittsburgh, Chicago, Birmingham, and Duluth, respectively. The Pittsburgh columns show the spread between the cost of producing the several forms of steel and the selling price thereof at Pittsburgh. The Chicago and Duluth columns show the spread at those points, respectively, under the Pittsburgh Plus system. The solid Birmingham columns show the spread at Birmingham under the Birmingham differential, and the shaded portion of such columns show the additional spread if steel at Birmingham were sold under the Pittsburgh Plus system

(NOTE.—This chart is based on: (first) cost figures supplied by United States Steel Corporation for 1920 (Commission's Exhibit No. 6851); (second) selling prices furnished by Carnegie Steel Company and American Sheet & Tin Plate Company, respectively, during same period; and (Commission's Exhibits Nos. 6121 and 6122); (third) carload freight rates from Pittsburgh to Chicago, Birmingham, and Duluth, respectively, in effect during said period (see Commission's Exhibit No. 6852 for above referred to figures).)

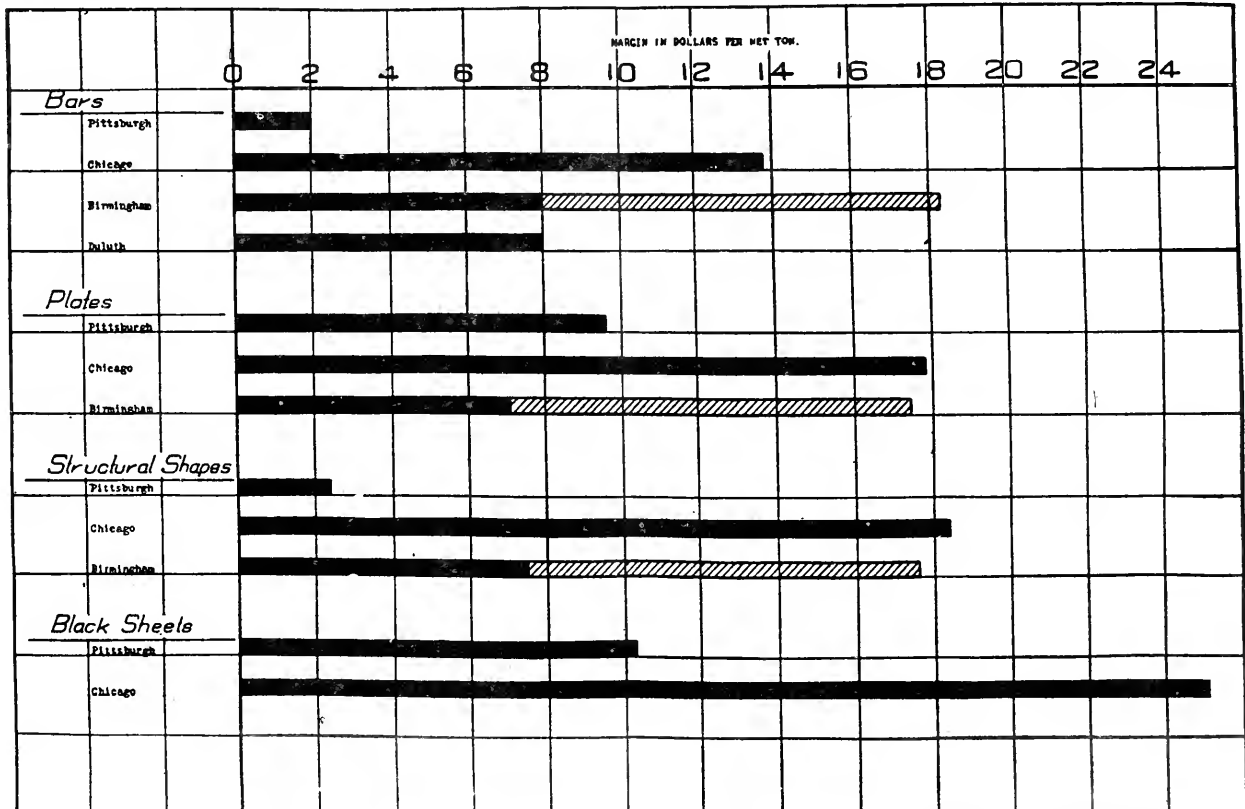


EXHIBIT No. 2240

*Invitation for bids issued by Navy Department, Bureau of Supplies and Accounts—
Schedule 6415—Pipe, steel, welded—Opened November 19, 1935*

*Bid Prices
Lot 495*

Appleby Bros. & Whitaker Co., 216 S. 2nd St., Harrisburg, Pa.....	\$45, 683. 48
John B. Astell & Co., Inc., 90 W. Broadway, New York City.....	45, 683. 48
H. Belfield Company, 435 N. Broad St., Phila., Pa.....	45, 683. 48
Ben Plumbing Supply Co., 556 Montgomery St. Jersey City, N. J....	45, 683. 48
Bethlehem Steel Company, Bethlehem, Pa.....	45, 683. 48
A. M. Byers Company, Clark Bldg., Pittsburgh, Pa.....	45, 683. 48
AM Castle & Company, 1300 N Brank St., Chicago, Ill.....	45, 683. 48
Central Metal & Supply Co., 609 E Lombard St., Balto., Md.....	45, 683. 48
Central Tube Company, 1800 1st Natl Bk Bldg., Pittsburgh, Pa....	45, 683. 48
Clayton Mark & Company, 20 N Wacker Dr., Chicago, Ill.....	45, 683. 48
Consolidated Supply Company, 139 S. W. Stark St., Portland, Ore.	
Crane Company, 1225 Eye Northwest, Wash. D. C.....	45, 683. 48
Dallman Supply Company, 8th & R Streets, Sacramento, Calif.....	45, 683. 48
L. B. Foster Company, P. O. Box 1647, Pittsburgh, Pa.....	45, 683. 48
Industrial Div-Frick Reid Supply Corp., 117 Sandusky St NS— Pittsburgh.....	45, 683. 48
Fretz-Moon Tube Co., Inc., Butler, Pa.....	45, 683. 48
E. D. Giberson & Co., Inc., Bush Terminal, Brooklyn, N. Y.....	45, 683. 48
Greene-Wolf Co., Inc., 243—40th St., Brooklyn, N. Y.....	45, 683. 48
Hajoca Corporation, P O Box 708, Rosslyn, Va.....	45, 683. 48
Jones & Laughlin Steel Corp., 3rd & Ross Sts, Pittsburgh, Pa....	45, 683. 48
J. J. Koepsell Company, Sheboygan, Wisconsin.....	45, 683. 48
Laclede Tube Company, 1317 Arcade Bldg., St. Louis, Mo.....	45, 683. 48
J. J. Larkin & Co., Inc., Woodside, Long Island, N. Y.....	45, 683. 48
John Maneely Company, Broad & Chestnut, Phila., Pa.....	45, 683. 48
McArdle & Cooney, Inc., 519 Arch St., Phila., Pa.....	45, 683. 48
John McKenzie & Co., Inc., 405 E. Centre St., Balto., Md.....	45, 683. 48
Miller Supply Company, 2100 S Sawyer Ave., Chicago, Ill.....	45, 683. 48
Noland Company, Inc., Washington, D. C.....	45, 683. 48
P. E. O'Hair & Company, 945 Bryant St., San Francisco, Calif.....	45, 683. 48
C. J. Raineau & Co., Inc., 518 Arch St., Phila. Pa.....	45, 683. 48
Richmond Sanitary Co., 290 Division St., San Fran., Cal.....	45, 683. 48
Jos. T. Ryerson & Son, Inc., Lock Box U, Chicago, Ill.....	45, 683. 48
E. Schwartz Plumbing Supply Co., 372 E. 143rd Street, New York City.....	45, 683. 48
Thomas Somerville Company, Washington, D. C.....	45, 683. 48
South Chester Tube Company, Chester, Pa.....	45, 683. 48
Southern Supply Co., Inc., 315 N. Calvert St., Balto., Md.....	45, 683. 48
Standard Plumbing Supply Co., 820 St. Ann's Ave., New York City..	45, 683. 48
R C Sullivan Company, 265—6th St., Cambridge, Mass.....	45, 683. 48
Virginia Machinery & Well Co., Inc., P. O. Box 1122, Richmond, Va..	45, 683. 48
Walworth-California Co., 235—2nd St., San Fran., Calif.....	45, 683. 48
Wheeling Steel Corporation, Washington, D. C.....	45, 683. 48
M. O'Neil Supply Co., Inc., 1819 Flushing Ave., Brooklyn, N. Y....	45, 683. 48
Standard Supply Company, 140 Spear St., San Francisco.....	45, 683. 48
Tyne Company, 3228 Fillmore St., Chicago, Ill.....	45, 683. 48
Albert & Davidson Pipe Corp., 5002—2nd Ave., Brooklyn, N. Y....	43, 188. 46
W. A. Case & Sons Mfg. Co., McDonald Ave. & Ave. I, Brooklyn, N. Y.....	44, 271. 14
A & J Friedman Supply Co. Inc., 55 Central Ave., Passaic, N. J....	44, 520. 22
Low Supply Company, 1715 Hyde Park Ave., Boston.....	44, 535. 89
Palmer Supply Company, 222 Westlake Ave. N.—Seattle.....	45, 682. 38
John Weeks & Sons Co., Watertown, New York.....	45, 029. 38
Wheatland Tube Company, Broad & Chestnut Sts., Phila., Pa.....	48, 683. 48

EXHIBIT No. 2241

*Invitation for Bids Issued by Navy Department, Bureau of Supplies and Accounts—
Schedule 7934—Steel, cold rolled or cold drawn—Opened May 26, 1936*

LOT 137

	<i>Bid Prices</i>
American Steel & Wire Company, Washington, D. C.....	\$20, 727. 26
Avery and Saul Company, 297 Dorchester Ave., So. Boston, Mass..	20, 727. 26
Bliss & Laughlin, Inc., P. O. Box 118, Buffalo, N. Y.....	20, 727. 26
Brown-Wales Company, 493 C St., Boston, Mass.....	20, 727. 26
E. Corey & Company, 65 W. Commercial St., Portland, Me.....	20, 727. 26
A. M. Castle & Company, 1300 N. Branch St., Chicago, Ill.....	20, 727. 26
Columbia Steel & Shafting Company, P. O. Box 1557, Pittsburgh, Pa.	20, 727. 26
Compressed Steel Shafting Company, 1587 Hyde Park Ave., Hyde Park, Mass.....	20, 727. 26
Crucible Steel Co. of America, 405 Lexington Ave., New York City..	20, 727. 26
Denman and Davis, 930—38th St., N. Bergen, N. J.....	20, 727. 26
Edgecomb Steel Company, D St. below Erie Ave., Phila., Pa.....	20, 727. 26
Egleston Bros. & Co., Inc., 539 Borden Ave., Long Is. City, N. Y..	20, 727. 26
Faitonte Iron & Steel Co., 182 Frelinghuysen Ave., Newark, N. J..	20, 727. 26
Fitzsimons Company, 1623 Wilson Ave., Youngstown, Ohio.....	20, 727. 26
Arthur C. Harvey Company, 60 Everett St., Boston, Mass.....	20, 727. 26
Hill-Chase & Co., Inc., Richmond & Ontario Sts., Phila., Pa.....	20, 727. 26
Jones & Laughlin Steel Corp., Pittsburgh, Pa.....	20, 727. 26
Keystone Drawn Steel Company, Spring City, Pa.....	20, 727. 26
Lowell Iron & Steel Company, Tanner St., Lowell, Mass.....	20, 727. 26
Moltrup Steel Products Company, Beaver Falls, Pa.....	20, 727. 26
Morris Wheeler & Company, Inc., Fox St. & Roberts Ave., Phila., Pa.....	20, 727. 26
Jos. T. Ryerson & Sons Inc., Lock Box U, Chicago, Ill.....	20, 727. 26
Scully Steel Products Company, Chicago, Ill.....	20, 727. 26
Smith Bros. Hardware Company, 580 N. 4th St., Columbus, O.....	20, 727. 26
Stahleker Steel Corporation, 6666 Binney St., Cambridge, Mass.....	20, 727. 26
Syracuse Supply Company, Syracuse, New York.....	20, 727. 26
Union Drawn Steel Company, Massillon, Ohio.....	20, 727. 26
Western Automatic Mach. Screw Co., Lake & Foster Aves., Elyria, Ohio.....	20, 727. 26
Wetherell Brothers Company, 251 Albany St., Cambridge, Mass....	20, 727. 26
Wyckoff Drawn Steel Company, P. O. Box 1256, Pittsburgh, Pa....	20, 727. 26
La Salle Steel Company, Palmolive Bldg., Chicago, Ill.....	20, 727. 26

EXHIBIT No. 2242

AN ANALYSIS OF THE BASING POINT SYSTEM OF DELIVERED PRICES AS PRESENTED
BY UNITED STATES STEEL CORPORATION IN "EXHIBITS NOS. 1410 AND 1418"

By

Walter B. Wooden, Assistant Chief Counsel, and Hugh E. White, Examiner,
Federal Trade Commission

TABLE OF CONTENTS

Introductory.

The Basic Issue is Whether the Basing Point System of Identical Delivered Prices is Competitive or Monopolistic.

The Objections to the Basing Point System are Grounded upon Tangible Legal Evidence of Collusive Price Control and not upon Abstract Criteria:

- (a) Continuation of Specific Agreements Formulated During N. R. A. Code Period.
- (b) Recent Collaboration Among Competitors on Base Prices.
- (c) Recent Collaboration Among Competitors on "Extras."
- (d) Recent Collaboration on Uniform Delivery Charges.
- (e) Relation Between Price Leadership and Collaboration Among Competitors.
- (f) Degree of Observance of Basing Point System

The Basing Point System was not a Natural Evolution Inhering in the Peculiar Economic Nature of the Industry, but was Devised by Competitors as a Means of Eliminating Price Competition.

The Collection of "Phantom Freight" Charges is Inherent in the Basing Point System of Delivered Prices and the Amounts Collected are Proportioned to the System's Objective of Maintaining Identical Delivered Prices.

The So-Called "Absorption" of Freight Charges is Inherent in the Basing Point System and the Amounts Absorbed are Proportioned to the System's Objective of Maintaining Identical Delivered Prices. The Corporation Recognizes the Systematically Varying Mill Net Returns Represented by "Phantom Freight" and "Freight Absorption" are Differences in Price and Consequently Discriminations in Price. The Steel Industry's Use of the Basing Point System Conforms to the Economic Specifications of Monopoly and is Not Consistent with the Economic Concepts of a Competitive Economy:

- (a) The Corporation's Claim that Identical Delivered Prices Result from the Perfect Competition of a Free Market.
- (b) The Corporation's Distortion of Economic Theory as to the Nature and Location of Free Markets.
- (c) The Corporation's Admission that Price Discrimination is not Consonant with Perfect Competition.
- (d) The Corporation's Contrast Between Physical Conditions in the Steel Industry and Concepts of Perfect Competition.
- (e) The Corporation's Claim that the Price of and Demand for Steel are Unrelated.
- (f) The Corporation's Claim that Prices and Profits are Reasonable.

The Corporation Defends Certain Uneconomic Results of the Basing Point System on the Principle of Vested Interests:

- (a) The Corporation's Defense of Excess Capacity.
- (b) The Corporation's Defense of Existing Mill Locations.
- (c) The Corporation's Use of Overhead and Capital Costs to Justify the Basing Point System.
- (d) The Corporation's Claim that Substitution of f. o. b. Mill Pricing for the Basing Point System Would Dislocate Industry and Create Monopolistic Conditions.

The Corporation has Misstated the Attitude of the Federal Trade Commission Regarding Alternatives to the Basing Point System.

The Steel Industry should be Prevented from Continuing to Restrain Price Competition Through Use of the Basing Point System or Through any Equivalent Method.

INTRODUCTION

The statement which is submitted herewith is in reply to two printed pamphlets offered by the United States Steel Corporation and in which appear its defense of the basing point system used in the steel industry. One is entitled "The Basing Point Method of Quoting Delivered Prices in the Steel Industry" (Exhibit 1418 for identification). The other is entitled "Some Factors in the Pricing of Steel" and contains a section on the basing point system. (Exhibit 1410 for identification.) Other pamphlets offered by the Corporation and which contain statistical data regarding prices, consumption, costs, and profits, are not encompassed by this statement. The two pamphlets are presented as the statements of the Corporation and their individual authors are not identified.

These two pamphlets raise only a few fundamental issues of fact. They likewise raise comparatively few fundamental issues growing out of the Corporation's theoretical treatment of its factual material. The fundamental factual issues may be grouped under two heads:

1. Whether the objections to the basing point system in the iron and steel industry are founded upon "abstract criteria" as alleged by the Corporation, or upon tangible legal evidence of collusive restraints upon competition.
2. Whether, and what, collusive methods of restraint upon competition are involved in the industry's use of the basing point system.

The fundamental theoretical issues may be grouped under three heads, as follows:

1. Whether the industry's use of the basing point system is consistent with the economic concepts of a competitive economy or conform to those of monopoly.
2. Whether the industry's use of the basing point system is at variance with public policy as declared in the antitrust laws.
3. Whether the industry's continued use of the basing point system should be permitted in the public interest.

In this last connection, a collateral but important factual issue to which certain misstatements of the Corporation compel attention concerns the nature of the Federal Trade Commission's position regarding the basing point system in the iron and steel industry and regarding the possible alternatives to that system.

Such issues cut deeply into the fields of law, of economics and of political science. The quite numerous incidental issues of fact and theory which are involved will not be ignored but they should not divert attention from the fundamental issues as above formulated and to which they are all subordinate.

At the outset, a statement of the Corporation will be quoted which may be taken as a common ground of approach. In the pamphlet entitled "Some Factors in the Pricing of Steel", it is stated by the Corporation:

"Price competition is necessary in any industry operating in a capitalistic system. Is the steel industry competitive? Efforts at such determination can easily lead into the realms of economic sophistry. Criticism and defense of competition in the industry should not be based on abstract criteria which fail to take into account the fundamental phenomena involved; it should be based on tangible evidence". (Exhibit 1410, page 27).

After disposing of the issue whether "tangible evidence" exists for objections to the basing point system as distinguished from "abstract criteria", an analysis

of the economic defenses of the system as presented by the Corporation will be undertaken. In the course of that analysis it may be possible to determine whether the system's defenders have successfully avoided the admittedly easy descent into the "realms of economic sophistry".

The Corporation recognizes throughout its argument the necessity of clinging to the contention that the system does not involve or facilitate monopolistic practices, however essential either to the public or private interest it may believe such practices are. Once that basic factual contention is discredited or destroyed the system must then be defended in the field of untenable theory. Considering the purposes, effects and methods involved, in the system, as shown in the Pittsburgh Plus case and in published reports of the Federal Trade Commission during the N. R. A. and since, it might well be thought that the factual exposition has already been ample. If debate as to the competitive or monopolistic status of the system can be prolonged indefinitely, the system will doubtless be continued as long as those who employ it and defend it find profit in it. It is to be hoped that the last word on the factual side of the matter can be said before the Temporary National Economic Committee and that the only question remaining will be one of governmental policy.

Before any intelligent appraisal of the basing point system can be made it is necessary to bear in mind certain of its essential features. It is a formula method of pricing, which when appropriately implemented and observed, automatically produces identical delivered prices for all sellers at any given destination. Its success depends first of all upon a common requirement by each seller that purchases be made only at delivered prices and a common refusal to quote or sell f. o. b. mill. Each delivered price is calculated from some governing basing point and has no necessary relation to the actual shipping point. The actual cost of transportation may be greater or less than the amount used to calculate the delivered price. Non-basing point mills are enabled to and must, if the system is to function, take advantage of their location by adding the full amount of their freight advantage, sometimes called "phantom freight", to the basing point price. Basing point mills are enabled to realize their full base price and sometimes "phantom freight" in territory where their respective basing points control the delivered prices. (Ex. 1418, p. 65) Other mills, whether basing point or non-basing point mills, that quote in each such territory, must, if the system is to function, recognize and adopt the governing base price and the delivered prices calculated thereon. Just as identical delivered prices automatically result from the system, so wide variations in the prices realized by each mill from its various customers are the automatic result. Each result is the necessary complement of the other.

All the above factual features of the system are expressly admitted by the Corporation in its pamphlet, though in different words and with different emphasis. There are important methods of implementing the system which will be discussed later and which also cast a significant light upon the system's competitive or non-competitive status.

THE BASIC ISSUE IS WHETHER THE BASING POINT SYSTEM OF IDENTICAL DELIVERED PRICES IS COMPETITIVE OR MONOPOLISTIC

The irreconcilable nature of the issue is made clear by the Corporation's position. The foreword of its pamphlet entitled, "The Basing Point Method of Quoting Delivered Prices in the Steel Industry" (Ex. 1418, for identification) states that one purpose of the pamphlet is:

"To establish that this pricing method is the natural result of basic economic conditions in the steel industry and does not result in the absence of price competition. The delivered prices of steel products at any consuming point are determined by competition and not by an inflexible application of the basing point method."

Again the Corporation states:

"Since delivered prices are the principal concern of the buyers, competition between steel producers naturally takes the form of meeting the others' delivered prices." (Ex. 1418, p. 41)

Such contentions are made again and again in specific terms and are implicit throughout the argument. Repeatedly it is urged that objections to the system are wholly abstract and theoretical in nature and are without foundation in tangible evidence. Indeed, it is never admitted that there is anything systematic about the basing point system and the word method is systematically substituted for the word system. By contrast, whenever reference is made to a mill base method of pricing, the word system is systematically applied. However, Mr.

Eugene Grace, President of the Bethlehem Steel Corporation, in his testimony before the Temporary National Economic Committee thought "system" was a good word for describing the pricing methods of the steel industry, and testified that the basing point system was the one used for quoting steel prices. (Verbatim Report T. N. E. C. Hearings November 9, 1939, p. 287.)

At this point it is well to understand the concept of competition which permeates the Corporation's position. In essence it is that unless all sellers make an exactly equal offer in terms of price to a given buyer they are not competitive. For example, it is stated:

"Identical delivered price quotations would occur under any free competitive system to the extent that competitors' bids could be estimated, since buyers refuse to pay more to one producer than to another for a staple product." (Ex. 1418, p. 5.)

This is equivalent to saying that no competitors under any free competitive system would quote at less than they estimated their competitors were going to quote. In similar vein, the Corporation quoted from a report by N. R. A. to the effect that if a competitor with lower freight costs gives his customer any benefit "he is giving a lower price than competition forces him to give. In other words, he is following some sort of a non-competitive principle, rather than a competitive one." (Ex. 1418, p. 62.) This is equivalent to saying that a competitor who makes a lower delivered price than his rival is acting non-competitively and when he gives him the same delivered price he is acting competitively.

The above contentions of the Corporation should be considered in the light of the testimony of Mr. Robert Gregg, Vice-President of the Corporation before the Senate Committee on Interstate Commerce in March, 1936. He testified that the basing point system had been the general merchandising plan in the industry and that:

"If that plan were universally followed there would be no competition insofar as one element of competition is concerned, namely, price." (Hearings on S. 4055, p. 207.)

If, as Mr. Gregg, testified, there would be no price competition if the system were universally followed, then deviations from the system represent price competition. Yet, under the quotations from N. R. A. deviations would embody some non-competitive principle. If one accepts the quotations, and Mr. Gregg's statement also, then the basing point system and departures from it are both non-competitive. On the other hand, the Corporation disputes Mr. Gregg by claiming that the system expresses price competition and treats the deviations from the system which have occasionally occurred throughout its history as sufficient in character and extent to justify the system itself.

The Corporation quoted from a report of N. R. A. as follows:

"The outstanding characteristic of the basing point system is the fact that it puts rival producers on a footing of price equality with each other in all the consuming points over a wide area * * *." (Ex. 1418, p. 37)

The Corporation also quoted from the N. R. A. report to the effect that the basing point system facilitates the use of the open price system of price quoting and that:

"This system is openly defended as a means of putting competition on a basis which will yield higher prices than would result without it." (Exhibit 1418, p. 30)

The Corporation further quotes from the N. R. A. report to the effect that while an open price system could be used with any kind of a price structure "it has its fullest effect if each producer knows the delivered prices he has to meet at each purchasing point." (Ex. 1418, p. 30)

A pricing method which is systematically followed by competitors for the purpose and with the effect of getting higher prices is plainly at variance with the common experience that competition does not tend to produce higher prices.

THE OBJECTIONS TO THE BASING POINT SYSTEM ARE GROUNDED UPON TANGIBLE LEGAL EVIDENCE OF COLLUSIVE PRICE CONTROL AND NOT UPON ABSTRACT CRITERIA

A striking feature of the Corporation's defense of the basing point system is its almost complete reliance upon abstract criteria and abstruse theory plus some irrelevant facts. At the same time, it charges that objections to the system are wholly grounded in such criteria and theory. It ignores the tangible evidence which has been cited over the years to sustain the main objection, which is that the system suppresses price competition and is monopolistic.

A review of such evidence should make it clear that from the time the system became the complete framework of the industry's price structure down to the present it has been a device invented for the purpose of producing identical delivered prices and perfectly adapted to that result. Notwithstanding occasional deviations and changes in the number of basing points used as well as in base price differentials, the system has not changed in essence. The American Iron & Steel Institute publicly declared in March, 1935 that the basing point method of quoting prices then in use was "in principle the same method under which the modern steel industry has operated for more than forty years." ("Basing Points and Competition in Steel", March 13, 1935, p. 5.) In reviewing the evidence, however, the period which began in 1933 with the N. R. A. Code of the Iron & Steel Industry and has continued to the present, is obviously the most important. Preceding periods are important as a matter of historical continuity of purpose, methods and effects. For that reason, the evidence lying within the present period will be first reviewed.

(a) *Continuation of Specific Agreements Formulated During N. R. A. Code Period.*

The Code of the Iron & Steel Industry, as adopted in 1933, specifically incorporated the basing point system among its provisions and specified the basing points themselves. It also incorporated numerous and detailed provisions designed to make the system thoroughly effective. The Code itself declared that "each member of the Code by becoming such member agrees with every other member thereof that the Code constitutes a valid and binding contract by and among all members of the Code". The Board of Directors of the American Iron & Steel Institute was the Code Authority which was intrusted with and exercised the functions of enforcing, administering, interpreting and applying "the standards of fair competition" incorporated in the Code. Among the activities of the Code Authority was the promulgation of numerous so-called commercial resolutions which embodied rules and regulations designed to implement the Code's objective of creating perfect identity of delivered prices. Members of the Code who did not comply with the provisions of the Code and the rules and regulations established under it, were fined at the rate of \$10 per ton for each violation, as the Code itself provided. In the Federal Trade Commission's report to the Senate of March, 1934, and its report to the President in November, 1934, documentary evidence from the files of the Institute and of the steel producers was quoted and analyzed in great detail establishing the above facts. Among other things, that evidence demonstrated that the Code constituted an agreement among steel producers whereby producers freely collaborated with each other as to the base prices they were to use; that the Code compelled adherence to such prices; that concessions and additions to the base prices were permitted only to the extent prescribed by the Institute's Board of Directors; and that all rail freight from the applicable basing point must be used in calculating delivered prices, except as otherwise provided for by the Board of Directors.

On June 3, 1935, almost immediately after the invalidation of N. R. A. Codes by the Supreme Court, the Board of Directors of the Institute adopted a resolution declaring the intention of each member to maintain "the standards of fair competition which are described in the Steel Code". (F. T. C. Report to the President on Steel Sheet Piling, June 10, 1936, p. 3.) On June 6, 1935, the resolution was ratified by steel producers representing over 90% of the producing capacity. On June 17, 1935, the Executive Secretary of the Institute wrote its president, Mr. Eugene Grace, urging that the Institute go as far as possible within the law to develop a plan for stabilizing the industry and maintaining conditions of fair and open competition. The Secretary said that he was "convinced that the 'wage floor' alone, especially in view of its present voluntary basis, will not prove adequate for very long to support a structure of fair commercial practices, and that external pressure from buyers of steel and the corrugating effect of rumors, suspensions, or actual overt acts from within present a constant menace which seems certain sooner or later to topple the structure." The Secretary went on to say:

"I do not believe that the much discussed 'competitive system' is really operating as it should, when a minority can in effect rule an industry by its wage policy or its commercial practices. I do not believe, for example, that Bethlehem should be regarded as 'free to compete' in the true sense of that term, when the acts or policies of some other steel company might force Bethlehem into meeting a situation with practices which it knows to be unsound"

The Secretary thereupon urged that—

"We must devise some plan of action in the form of an agreement which will permit wise management in the industry to prevent, so far as possible, practices

which lead to inroads on wages of labor, destruction of profits, and impairment of capital."

Mr. Grace, in acknowledging the above letter on June 20, wrote that he would try to discuss orally the "big and important subject" in the near future and "of course I shall not attempt to make answer in writing." On January 4, 1936, Walter S. Tower, executive secretary of the Institute, wrote to Mr. Grace, President of Bethlehem Steel Corporation and President of the Institute, as follows:

"Since the meeting here a fortnight ago, I have been giving a good deal of thought to the subject then discussed, in an effort to figure out some constructive course of action which might be considered at the meeting scheduled for January 14.

"It now seems necessary to admit that any such sort of procedure as that which has been followed since the meeting of representatives of the steel industry on June 6, 1935, cannot be relied on to create or to maintain the conditions required for a satisfactory commercial policy in the industry.

"It also seems necessary to recognize that the experiences of the last six months prove the need for some definite kind of procedure under which the details of commercial policies and practices of the principal members of the steel industry will be matters of record. I realize, of course, that it does not necessarily follow that there would be no further difficulties with which the industry would have to struggle, if such policies and practices were fully and freely matters of common knowledge to both producers and purchasers of steel products generally. But it does seem to me that the only way, if there is any way, to create satisfactory conditions, and to confine the commercial problems within the limits where they may not prove disastrous to the industry, is to be found through the medium of some complete record of what are the commercial policies and practices of the leading companies in the industry.

"Recognizing the fact that the commercial provisions of the Code are now a closed book, there appear to be only two ways in which, without too serious legal liabilities, there can be any general or open record in respect to these vital matters. The first of these ways is to follow the recommendation which you made some months ago concerning the publication by important members of the industry of formal lists of prices for their respective products, together with statements of the extras applicable and terms and conditions of sale. I still think that adopting your suggestion would help more than anything else which now seems permissible, to correct the difficulties of which the entire industry is fully aware. It also seems to me quite possible that if a group of several of the prominent companies decided to follow such a policy, none of the other prominent producers could long afford not to fall in line, if for no other reason than the implications arising from the failure of any prominent company so to declare itself publicly in respect to prices and commercial practices.

"The other way of establishing a general or open record would be through reporting to some central agency, like the Institute, the facts in regard to closed transactions in which any new concession had been granted to a purchaser in respect either to price of a product or the terms and conditions under which it had been sold."

That a plan for such a system of tacit agreement to abide by announced prices was being discussed in the industry is made evident by a letter to E. T. Weir, National Steel Corporation, written on January 16, 1936, by Charles R. Hook, president of the American Rolling Mill Company:

"As I remarked when I came into the meeting of our little group last Tuesday, I had not known whether I was going to be there as I had taken Mrs. Hook to the Johns-Hopkins Hospital the week before, and while I was waiting at the hospital I wrote out a note to E. G., had it typed, and intended to send it in case I could not be at the meeting.

"I took the letter along with me and laid it on the desk, if you remember. I am enclosing herewith a copy for your information."

The enclosure reads in part as follows:

"* * * It seems to me useless to attempt to cure the general ills of the steel industry until we make up our minds that we will courageously and definitely resist the pressure of the automotive or any other large consuming industry to break down a price structure that will permit of a reasonable return on our invested capital.

"A decision to make such a stand can only come, of course, if as and when the major steel companies make up their minds that their price schedules are an open book, that all purchasers are to be treated alike and that undercover methods of all kinds are outlawed completely. If any industry or any company is to be given a price better than the carload price, it must be known by all and it must be a defensible practice that can be shown to be in the public interest."

The trade magazine "Steel", in giving a resume of developments in the industry about this time said:

"March 1936. After sharp competition as an effort at stabilization, steel makers announced all prices quoted would be 'open', and uniformly applied, agreeing to publish price changes whenever made. This continued up until the recession set in." (Steel, July 18, 1938, p. 24.)

The "Iron Age" in summarizing the developments of the year 1936 referred to price concessions in the early part of the year and then described the initiation of a method of open price announcement which it characterized as "the most successful price stabilizing movement the steel industry has experienced, other than the Steel Code." It stated that the movement was initiated by T. M. Girdler, President of Republic Steel Corporation at the time of making its announcement of prices for the second quarter. The Iron Age also states that other steel companies followed the Republic's example and announced openly their selling prices with the result that the last three quarters of 1936 were "remarkably free from price cutting, either open or secret, the general understanding between steel companies and their customers being that any change in published prices would be similarly announced." (Iron Age, January 7, 1937, pp. 65-66).

In May, 1936, the Carnegie Illinois Steel Corporation informed its various sales managers that it would "begin our price announcement program" by announcing prices on certain commodities. It sent its various managers an initial supply of price announcement forms quoting prices at various basing points. The sales managers were also informed that the usual practice of adding published all-rail freight or using arbitrary rates as established would be followed, and that only delivered prices would be quoted. It said that after making such announcement of prices it was obligated by the Clayton Act to abide by the announced prices without any deviation. (Letters to sales managers dated May 21 and May 23, 1936). The price announcements then made by the Carnegie Illinois Steel Corporation were to the effect that "until further announcement, the following price will apply on sales of the product or products described below, for delivery and consumption in the United States, for shipments during the calendar quarter ending September 30, 1936."

The foregoing facts should be considered in connection with the opinion of the Supreme Court in the Sugar Institute case, where it held that there should be no requirement of adherence to prices and terms announced.

While the above developments were taking place in the industry during 1936, there is evidence that prices were the subject of discussion at meetings of the American Iron and Steel Institute.

The executive secretary of the American Iron and Steel Institute wrote to Norborne Berkeley of the Bethlehem Steel Corporation on April 22, 1936:

"In line with our conversation last week, I jotted down some random notes concerning some aspects of prices which might be worth while discussing at the institute meeting on May 28 * * * I hand them on to you for what they may be worth."

Eugene Grace, president of the Bethlehem Steel Corporation and of the Institute wrote to the executive secretary on the following day:

"I have your letter of April 22, enclosing notes on prices. I have an idea Joe expects to see you this week. I had a talk with him in line with our discussion, and shall of course let him see the notes."

When the Federal Trade Commission, at the request of the President, investigated identical bids on steel sheet piling received by the Federal Government some months after the N. R. A. Codes were invalidated, it found that such bidding resulted from a continued application of the basing point system supplemented by cooperative activities of competitive bidders similar to those which had characterized their activities during N. R. A.

During N. R. A. the Steel Code lodged in the board of directors of the American Iron and Steel Institute the authority to prescribe rules and regulations for implementing and carrying into effect the provisions of the Code. Under that authority the Board of Directors adopted and promulgated many rules and regulations to govern pricing methods in the industry and which it entitled Commercial Resolutions and Regulations. Many of these regulations directly and substantially affected such matters as the method of calculating base prices and discounts therefrom, the methods of calculating delivery charges and the exact amounts to be added to base prices in order to determine delivered prices. The Federal Trade Commission described many of these rules and regulations in its report to the Senate of March 1934 and in its report to the President of November 1934.

As already stated, the Code declared itself to be an agreement among the members and violators were penalized at the rate of \$10 per ton. When the Institute's Board of Directors voted in June 1935 to continue the provisions of the Code regarding standards of fair competition these commercial regulations were also continued in effect. In a recent letter to the Executive Secretary of the Temporary National Economic Committee, the Corporation states that it is aware of no amendment or modification of these resolutions since June 1935. (Letter Dec. 18, 1939—U. S. Steel Corporation to Mr. Jas. R. Brackett). The Corporation pamphlet (Exhibit 1418) describes two of the more important of these Commercial Resolutions as being representative of the current general practice of the industry.

One of these practices involves the addition of arbitrary switching charges for delivery in the switching limits of basing point cities, the Corporation stating that "The practice has generally been followed since the Code." (Ex. 1418, p. 64, Footnote)

The Corporation states further that—

"Under the Code the practice was developed of adding to the base price a so-called 'switching arbitrary' of 2½¢ a hundredweight (3¢ a hundredweight in Chicago and Gary switching limits) for delivery within the switching limits." (Ex. 1418, p. 64, Footnote)

These figures correspond exactly to the figures provided for in Commercial Resolution No. 20 which was described by the Federal Trade Commission in its report to the Senate (See pp. 23, 24). Resolution No. 20 recited that because of the "great diversity" in switching charges at various basing points it was "practically impossible in most cases" to ascertain in advance of shipment the correct charge and that it was deemed advisable "to use arbitrary, in lieu of the actual, switching charges in such cases." After setting forth the arbitrary charges described by the Corporation as still in effect, the Resolution gave members permission to deduct from their base price an amount equal to the difference between the actual and the arbitrary switching rates in cases where the actual rates exceeded the arbitrary rates. This was provided for to insure "uniform practice." Incidentally, the Corporation admits in this connection that where the arbitrary switching rates exceed the actual the mills to that extent realize "phantom freight."

The Corporation also states:

"A practice generally exists in the Steel Industry of including in the delivered price to a buyer, who accepts delivery by sending his own truck to the mill, the rail freight from applicable basing point to destination, and allowing him a credit equal to 65% of the rail freight from mill to destination. This might be construed to mean that the buyer always pays one-third of the rail freight used in calculating the delivered price for the privilege of taking delivery by his own truck. This is true, however, only when the mill is at the basing point freightwise nearest to the buyer's destination." (Ex. 1418, p. 71.)

The above described practice originated in Commercial Resolution No. 8 E adopted by the Institute's Board of Directors during the Code period as described by the Federal Trade Commission in its report to the Senate in March 1934 (pp. 32-35). The Commission also described and quoted the written protests of concerns within and without the industry, as to the damaging and destructive effects of this rule upon their business. Buyers as large as the Buick Motor Co. protested the rule as preventing it "from getting the full benefits of competitive transportation, imposing higher costs and tends to control the method of shipment." Other objections were by smaller concerns which described the rule as imposing "a terrific penalty", as giving advantages to large plants with spur tracks, as penalizing "firms having an investment in their own transporting equipment", and as severely damaging to trucking companies. This is illuminative of the question whether the objections to the basing point system are founded on "abstract criteria" or on "tangible evidence".

In view of the admission that there have been no amendments or modifications of the Commercial Resolutions since June 1935, the price fixing nature of some of them is pertinent. On pig iron delivered at certain specified points on the Ohio River and tributaries, on the Great Lakes and North Atlantic seaboard, the Institute's board of directors authorized certain maximum deductions from the delivered prices calculated on an all rail basis from the applicable basing point to destination (Resolution No. 43). The board also fixed by resolution a maximum deduction of 38 cents per ton from the base price which could be made on Southern Foundry pig iron of a certain quality (Resolution No. 10). This deduction was allowable on pig iron shipped outside the Birmingham and Southern wage districts. The "Iron Age" for January 13, 1938 carries a note to the effect that delivered prices on Southern pig iron for shipment to Northern points are

38 cents a ton below delivered prices from nearest Northern basing point on iron with a certain chemical content. By another resolution the board fixed the maximum deductions from the base price on specified products which were permitted when sold for delivery in a specified portion of Michigan (Resolution No. 13). Other resolutions or regulations adopted by the Board fixed the maximum deduction that might be made from base prices on hot rolled strip steel (Resolution No. 40), the maximum discounts for early payment of invoices (Resolutions 1, 2, 3, 4, 9, 25, 30, 31 and 32), the amount of discounts to various classes of buyers and to jobbers, and the prices to be charged by jobbers on resale (Regulation Nos. 1, 2, 3), and the qualifications under which a concern could be recognized as a jobber (Regulation Nos. 1, 3).

The continuation of the agreements embodied in the resolutions relating to terms and conditions of sale is shown by the following:

On August 7, 1935, the executive secretary of The American Iron and Steel Institute wrote to J. M. McComb, vice-president of the Crucible Steel Company of America:

"* * * It has been my understanding that the action taken by members of the industry at their meeting on June 6 committed each of the companies there represented to a policy of maintaining the terms and conditions of sale which were in effect under the Steel Code. As far as information has come to us since that meeting, it appears that members of the industry generally are following a uniform policy in respect to such matters. For that reason there has not been any discussion of action by the Board along the line suggested in your letter."

Further correspondence between the executive secretary and Mr. McComb shows that an investigation was being made as to the extent to which members of the industry were conforming to the requirement of charging interest on past due accounts.

Under the Code there was also a requirement that in case of products sold for fabrication in construction of an identified structure, the place of delivery should be considered to be the railroad freight station at or nearest the place where the structure was to be erected. In its report to the Senate in March, 1934, the Federal Trade Commission pointed out the damage done by that requirement to independent fabricators in their competition with fabricators controlled by integrated steel producers. (R. pp. 24-26.) Price announcements put out by various steel producers, including subsidiaries of the Corporation, as late as the summer of 1936 showed that this rule regarding sales for identified structures was still being adhered to.

The nature of all the above rules and regulations was pointed out by the Commission in its report to the Senate. (Report pp. 10, 22, 36, 37, 38, 39). All of them are directed to serving the primary objective of the basing point system as defined by Judge Gary, that "it was deemed necessary for the orderly conduct of the business to have one basing price * * * so that every user of steel all over the country bought and used his steel on a certain basis, knowing in advance that every one else who bought steel had to pay exactly as he did, with the addition of the increased freight depending upon where he wanted to use the steel." (F. T. C. Decisions Vol. VIII, p. 33.)

(b) Recent Collaboration Among Competitors on Base Prices.

While the N. R. A. Code was in effect, abundant documentary evidence was available in the form of letters, memoranda and minutes which showed that competitors within the industry interchanged information and opinions with a view to adopting and announcing base prices that would be satisfactory to the various organized groups whose members manufactured like products. The Code, however, did not specifically provide for any such cooperative activity among competitors but was patently constructed upon the assumption and expectation that base prices at the respective basing points and for the respective products would be identical for all producers, as in fact they were.

In view of the acknowledged price leadership of the Corporation, collaboration among competitors on base prices is not indispensable to the operation of the basing point system but seems to have existed nevertheless. Such collaboration contributes to successful price leadership by promoting better feeling and insuring a greater degree of voluntary support for the prices named.

The full story of competitive collaboration in the determination of base prices since N. R. A. is impossible to develop, protected as it is by reticent memories and the natural paucity of documentary records. Occasionally, however, the veil is lifted, as in the following extract from a letter written by the general sales

manager of the Newport Rolling Mill Company of Newport, Kentucky, to the President of that Company under date of August 17, 1935. He said in part:

"It was not definitely decided until late last evening to put into effect for fourth quarter a one price policy allowing the galvanized sheet price to remain at \$3.10 per 100 lb. for No. 24 gauge base f. o. b. Pittsburgh. A few of the larger interests such as Weirton and Inland were in favor of reducing the price to \$3.00 base for No. 24 gauge f. o. b. Pittsburgh but this was finally defeated and it was agreed to allow all prices to remain the same as now in effect.

"The announcement of no further jobber allowance after October 1st will be made by Continental on Tuesday of next week, after which all mills can announce likewise. We, of course, in the meantime will notify our people, which will no doubt be conducive of causing an influx of jobber business for shipment prior to October 1st. * * * I discussed the automotive situation with Neil Flora last evening and he informed me that while some little tonnage was placed several weeks ago, nothing more has been done and that all the mills are holding firmly to their prices and are expecting that additional tonnages will have to be placed soon."

From the above it is clear that the galvanized sheet producers decided by majority vote not to reduce base prices for the succeeding quarter, although such reduction was favored by two of the large independent producers. It is also apparent that at the same time it was decided to make only one price on galvanized sheets, to eliminate special prices to jobbers, and to follow the lead of the Continental Company in announcing the withdrawal of jobber allowances.

Mr. Eugene Grace, President of the Bethlehem Steel Corporation, the second largest producer in the industry, testified before the Temporary National Economic Committee in November 1939 that he "would feel free to tell any of my tin plate competitors at any time if I thought the price of tin plate was too low, and try to encourage them in some way or other to get a price for it; of course I would. I would be foolish if I didn't." (Verbatim Record, T. N. E. C. Hearings, November 9, 1939, p. 291). Mr. Grace further testified that if he happened to meet Mr. Fairless, President of the Corporation, "and we were approaching the tin plate season, it would be a perfectly natural thing for me to say, 'Well, Mr. Fairless, I would like to see tin plate raised somewhat for this next year's business' or 'Conditions have changed in such a way that the present price would be entirely satisfactory'. I wouldn't hesitate to talk about it at all with him." (Verbatim Record, T. N. E. C. Hearings, November 9, 1939, p. 291).

Mr. Fairless also testified before the Committee that he did not "want to be in the position of attempting to leave the impression that no manufacturer of tin plate ever asks me or discusses with me what the price of tin plate is," but specifically denied that he had ever had a group meeting with other manufacturers of tin plate to set the price (Ibid, November 8, 1939, p. 256). Mr. Fairless also testified (Ibid, Nov. 7, p. 221) that steel producers discussed prices when they met and that "usually we are bemoaning the fact that they are too low".

The above testimony is to be weighed in the light of their denial that there was any conference of steel company officials to determine the price of tin plate for 1938 and that Mr. Grace of the Bethlehem Company had made any promise at such a conference to maintain prices. The statement denied appeared in a letter from the Vice-President of the American Can Company to its President under the date of March 24, 1938. The writer of the letter, however, testified before the Committee that he was unable to give the source of his information (Ibid, November 7, 1939, p. 255, and Ex. 1407). That company is the largest buyer of tin plate for can making and the price negotiated between it and the Corporation has long been recognized as the base price to be accepted by other tin plate producers.

Another and more recent instance of collaboration among competitive producers regarding base prices occurred with regard to tubular goods in the Summer of 1938. As shown by testimony and exhibits before the Temporary National Economic Committee, the Corporation on July 1, 1938 discontinued the manufacture of lap welded pipe for oil pipe lines and established a new and lower priced grade of seamless pipe. In view of the recognized superiority of seamless pipe, the differential between it and lap welded pipe was considered insufficient by manufacturers of the latter, especially those who had to buy the semi-finished steel for manufacture into pipe. The reason for the Corporation's move was that competing manufacturers of lap welded pipe had been cutting prices and had increased their relative shares of the total business to the disadvantage of the Corporation. The Vice-President in Charge of Sales of the National Tube Company testified that "Other lap weld was being manufactured with superior

physical properties to ours and selling at a price below ours." (Ibid, Nov. 14, 1939, p. 368)

The Wheeling Steel Corporation and the South Chester Tube Company were the only manufacturers which were then making lap welded pipe exclusively. On August 1st the Wheeling Corporation tentatively adopted a new price list on lap welded pipe which the South Chester Tube Company complained of as being too low. The Pittsburgh sales representative of the South Chester Company wrote the headquarters of his Company on August 12th that he had discussed these tentative prices with Wheeling Steel Corporation officials and had "remonstrated quite vigorously about the reductions in prices on the items other than the tonnage group." He went on to say that:

"Most of the other mills are after us, in an effort to get our cooperation in insisting that Wheeling bring the prices on the items other than the tonnage group up to the previously announced 2½%."

He then described a telephone conversation with a representative of the Wheeling Corporation and stated that from it he "learned that they had already been with Goble and that Wheeling is now going to revise their previously announced prices." Mr. Goble was Vice-President of the National Tube Company, a subsidiary of the Corporation. In the same letter the Pittsburgh representative stated that Mr. Goble was endeavoring to obtain an interview with an official of the Wheeling Corporation "and demand that they revise their prices". (Exhibit 1433, p. 349).

On August 15th the Pittsburgh sales representative of the South Chester Company wrote his general sales manager that no one had received the Wheeling Corporation's new price list but that rumors were current that such a list had been issued with greatly reduced prices. According to testimony of both the South Chester and Wheeling company officials, the price confusion which existed during August was removed and stabilized in the latter part of August and during the first half of September (Verbatim Record, T. N. E. C. Hearings, Nov. 14, 1939, p. 361). On August 24th the Wheeling Corporation issued a new price list which "reduced the prices to the consumer on the tonnage items or the important items and increased the non-tonnage items or the less important items". (Ibid, p. 351)

Sometime in September the National Tube Company authorized the acceptance of orders for its seamless B casing at the price of lap weld. This permission was given during a period of about six days (Ibid, p. 370). On September 29th the Pittsburgh sales representative of the South Chester Company wrote his general sales manager as follows:

"The matter outlined below is in strict confidence and has been received by the writer, since return of the gentlemen from New York, whom we mentioned by telephone.

"Naturally, to gain the end which the other mills wanted, that is: Not to have the National Tube Company quote prices, on Seamless material which would meet Lapweld competition, it was very necessary for these other mills to give up something in return. Through the same and another source, we have today checked a second meeting of manufacturers other than the National Tube Company to be held in a few days. As it stands at the moment, the thing resolves itself as follows:

"The National Tube Company will leave as they are at the moment the prices for Grade 'B' Seamless, which have already been announced. The National Tube Company and all other seamless mills will discontinue the manufacture of new Grade 'C' and bring the physicals of new Grade 'B' considerably higher. This with the new Grade 'D' will bring the status back to where it was prior to July 1st, when the whole mess was started.

"Youngstown, Spang Chalfant, Jones & Laughlin and Republic Steel will discontinue the manufacture of Lapweld Pipe in Oil Country sizes 10½" O. D. and under.

"Wheeling Steel, who has already been contacted today, advised that with the present spread between Grade 'B' and Lapweld, they were slowly being forced out of business and would only ask that they be allowed to dispose of present stocks of Lapweld on hand.

"Bethlehem, who was contacted today, stated they had not made any Lapweld Oil Country material since July 1st. This I doubt, but they have also signified their intentions to discontinue the manufacture of this product.

"In so far as the South Chester Tube Company is concerned, as has been stated this afternoon, neither the National Tube nor a meeting of the other mills feel they should take the responsibility of determining or suggesting any policy for us to follow, as they would not want to be confronted at Washington, since we

make no other product in the way of pipe, and not even any other products manufactured of steel.

"We are handing this to Mr. Sweet, and we need not advise that this information is of the most confidential nature.

"Prior to the meeting of the mills, other than the National Tube, we are going over this matter with our source of confidential information. This meeting will be held probably Monday or Tuesday of next week, and within an hour after it adjourns, we hope to have exactly what transpired." (Exhibit 1437, p. 383)

The above quoted contemporaneous documentary record is to be weighed with the testimony of the author that he could not identify any of his sources of information and the testimony of representatives of the Wheeling Corporation and the National Tube Company that they did not participate in conferences with competitors. (Verbatim Record, T. N. E. C. Hearings, Nov. 14, 1939, p. 364) The South Chester Company representative, however, testified that he did not "believe that they were formal meetings to discuss these particular problems, but certainly everyone contacted each other to find out what their position should be and what attitude they should take in so far as the production of this type of material should be." (Ibid, p. 363) He further testified that he had talked to representatives of the Youngstown Sheet and Tube Company and of Jones & Laughlin Company (Ibid, p. 365). He further testified that perhaps the action of the National Tube Company in reducing prices on seamless pipe during September to the level of lap weld prices "might stop the action or the supposed or presumed actions of other manufacturers in disposing of existing stocks of lap weld material at ruinous prices," and that as a result of such action "the lap weld stocks in the hands of other operators probably lie dormant." (Ibid, p. 366) On October 1st an official of the Wheeling Steel Corporation wrote that from developments that past day or two the situation had cleared up and "We understand that it will not be possible to secure 'B' Seamless at the same price as Lapweld material." (Exhibit 1438, p. 367)

The foregoing evidence of collaboration among members of the industry in the collusive determination of base prices is tangible and legally competent evidence. It is impossible to classify or characterize it as "abstract criteria"

(c) *Recent Collaboration Among Competitors on "Extras"*.

An important phase of steel prices is the application of so-called "extras" consisting of additions to or deductions from the base price of a base product to cover "variances in quantity, quality, chemical content, size, shape, finish, packing and other factors. Extras are so closely related to base prices that when applied to the base price they may be logically considered as forming a base for the extra product; for, after such application the calculation of delivered prices proceeds just as in the case of base products and base prices exclusive of extras. The Federal Trade Commission's reports on the Steel Code to the Senate and to the President in 1934 and again in 1936 demonstrated how the price of extras was controlled under the Code and subsequently. The collaboration of competitors to fix the price of extras was carried on quite openly. The reports showed how important extras are as a factor in prices—sometimes exceeding the base price itself—and how price increases can be made in the guise of extras without requiring any change in the base price. Certain quantity and size extras were increased by 395 percent on the average when the N. R. A. Code was adopted. Important increases in quality extras were also made. (E. T. C. Report to the Senate, pp. 12-15, 54, 56). Increases in extras ranging from 100 to 500 percent on high tensile steel for the Navy were adopted by vote of the Institute's Board of Directors and made effective September 1, 1934 (F. T. C. Report to the President, pp. 8-9) Fines at the rate of \$10.00 per ton were assessed under the Code for failure to charge the agreed extras. (Printed hearings before Senate Committee on Interstate Commerce in re S. 4055, pp. 235, 237, 239, 242, 245, 246, 247).

On June 10, 1936, the vice-president of the A. M. Byers Company wrote to the manager of tube and pipe sales of the Allegheny Steel Company as follows:

"You are undoubtedly bound by the Uniform Extras and Deductions of the Iron and Steel Industry for your product in the same way as we are for ours. You will find on referring to Section 60, top of Page 2, that if couplings are required for cut length specifications, an extra charge will be made.

"We have checked and find that it is uniform practice among steel pipe manufacturers to charge extra for the couplings in exactly the same manner as we charged you."

Testimony before the Temporary National Economic Committee establishes that the amount of "extras" to be added or deducted from the base price has continued to be the subject of collaboration and agreement among members of the

industry. Mr. Fairless, President of the Corporation, testified that extras were based on costs, "not only our costs but a cross section of the costs of the industry"; that the Corporation made it its business to find out the costs of competitors, stating, "We talk over extras with our competitors". He further testified that consultations with competitors as to extras had been going on at least for twenty-five years; that cutting the price of extras "is a very small percentage of the method in which prices are reduced", and that the numerous changes in extras made in May 1938 were the outcome of an exhaustive study made by representatives of the Corporation and other members of the industry. (Verbatim Record, T. N. E. C. Hearings, Nov. 7, 1939, pp. 219, 220).

Mr. A. C. Adams, a Vice-President of the Corporation, testified that he participated in consultations with representatives of competitors regarding the changes in extras made in May 1938; that because of overlapping of certain product classifications and varying extras within each classification there had been "a state of confusion from a pricing standpoint", and that it was impossible to do more than relate the extras to cost, since they could not be predicated exactly on costs because costs were constantly changing (Ibid, November 7, 1939, p. 222). Mr. Fairless testified that the industry had technical committees in the American Iron and Steel Institute which analyzed the costs of extras (Ibid, November 7, p. 219).

The new extras were identical as announced by various companies, and six companies announced them on the same date, namely, May 18th (Ibid, November 7, p. 228). In a circular letter to sales managers of the Carnegie-Illinois Steel Corporation, dated May 26, 1938, Mr. Adams described the new extras and stated that the net increase of \$1.00 per ton on certain items of cold rolled sheets would undoubtedly result in numerous complaints, that on another width of sheets there was an increase of \$3.00 per ton, and that the buyers of flat rolled products in certain widths would receive "an increase in most gauges, and therefore you will undoubtedly receive some complaints from this trade, but you can assure any buyer that the adjustment in the average price for all sales is slightly downward" (Ibid, November 7, p. 230; Ex. 1396).

The above facts challenge the contention of the Corporation in Exhibit 1418 that the objections to the pricing methods of the industry are wholly theoretical, are not based on tangible evidence and rest upon abstract criteria.

(d) Recent Collaboration on Uniform Delivery Charges.

An important ingredient in any delivered price system is that portion of the delivered price which is added to the base price as transportation charges. The basing point system in the steel industry has always included the all rail freight as the standard of such transportation charges. From time to time, particularly under the N. R. A. code, and subsequently, there have been variations or qualifications of the all rail freight basis, but such exceptions have been just as well understood as the all rail standard itself. Under the N. R. A. code, which was declared by the code itself to constitute an agreement among its members, it was required that delivery charges be calculated from specified common basing points and that the delivered prices must be calculated by adding to the applicable basing point quotation "the all rail published tariff rate charges" to "the place of delivery". In the case of certain products intended for fabrication of an identical structure, place of delivery was defined as "the freight station at or nearest" such structure and "not the shop of the fabricator". If other than all rail transportation is used, any reduction in the delivered price resulting therefrom must be "at a rate which shall have been previously approved by the board of directors and filed with the secretary". (N. R. A. Code Schedule E, Sections 3 and 4)

Pursuant to the above requirements of the code, the board of directors authorized a number of departures from the all rail delivery charge and prescribed the "rate" at which or extent to which such departures might be made. A special committee of traffic managers was set up to aid in the calculation and compilation of the freight rates to be used. (F. T. C. Report to Senate March, 1934, pp. 20, 21). The board of directors approved and adopted what was known as "Freight Tariff No. 1, American Iron & Steel Institute". This compilation embodied delivery charges to various destinations from the basing point or points which would "customarily" be used for a particular destination. By a commercial resolution the board of directors resolved that "Freight Tariff No. 1 * * * shall be deemed" to be the lowest published water and water-rail transportation charges and that the charges therein listed must be added to the applicable base price to obtain the correct delivered price. This compilation also provided for switching charges at dock destination. The resolutions specifically recognized that the water and water-rail rates included in the publication were not necessarily

the lowest rate, that it was "frequently difficult or impossible" to ascertain the lowest rate and that in some cases the use of published steamship rates "might result in unfair competitive conditions". For those reasons the board declared that the rates approved by it should be "deemed" to be the lowest published rate. (Commercial Resolutions 8 and 18.) During the N. R. A. code period, producers were fined at the rate of \$10 per ton for making sales which were at variance with the delivery charges which the board of directors had established.

When the board of directors of the institute voted in June, 1935, to continue the provisions of the code with regard to the standards of fair competition, this apparently carried with it the continued compilation and promulgation of the freight rates which were supposed to be used by members of the industry in calculating their delivered prices from the applicable basing points. In hearings before the Senate Committee on Interstate Commerce, the executive secretary of the institute testified in March, 1936, that the institute had continued to publish freight tariffs after the expiration of the N. R. A. code, and in that connection said that during the code period "when every member of the code was required to conform to certain provisions of his contractual relationships, it was a convenience for him to know what he was supposed to do". (Printed record of hearings on S. 4055, page 266.)

The Federal Trade Commission's report to the President on steel sheet piling, in June, 1936, described the nature and extent of the collaboration existing among the members of the industry in preventing any deviation from identical delivered prices through the medium of identical freight charges. To such an extent was this carried that a complaint was entertained by the institute's traffic committee involving a P. W. A. project requiring about \$60,000 worth of pipe. The bidders named a uniform delivered price to the extent of carrying out decimals to two places as usual but one bidder was "awarded the business because carrying the basing point price to three places resulted in their bid being 12¢ low". (F. T. C. Report to President on Steel Sheet Piling, p. 24, App. H.) An extensive campaign was carried on to prevent buyers from diverting shipments consigned to them at the delivered price calculated under the basing point formula, from the destination where such price was correct to a destination where such price was below the correct delivered price. The aid of the railroads was enlisted to prevent buyers so diverting their purchases, although a number of the railroads objected on the ground that the consignee was the owner of the goods and had the legal right to divert them.

Pursuant to the general purpose of preventing the slightest divergence in the delivered prices of the various producers, members of the industry collaborated in the adoption of rules to eliminate the excessive fractions resulting from the emergency charges prescribed by the Interstate Commerce Commission to dispose of fractions of a mill and fractions of a cent for the purpose of computing identical delivered prices, to equalize land grant freight rates so that uniform reductions in delivered prices might be made on sales to the United States government, and to standardize freight rates and drayage charges used in connection with sales and deliveries to various government navy yards. In addition to the foregoing, the institute has compiled and promulgated compilations of all rail, rail-water-rail and rail-water freight rates to facilitate the calculation of identical delivered prices. (F. T. C. Report to President on steel sheet piling, June 10, 1936, pp. 24-27.)

The importance of a standard compilation of freight rates from the standpoint of promoting identical delivered prices is shown in the following statement in a letter written by the Chairman of the Traffic Committee of the Institute to the Chairman of the Commercial Committee under date of January 29, 1934:

"While every effort has been made to figure minimum rates, it is not humanly possible to attain accuracy in each and every instance, bearing in mind that the half million rates published have been compiled by some 150 men. As errors are discovered the incorrect rate will be changed, but until the change appears in the supplement to the tariff it is our opinion it should not be used for sales purposes. Certain branches of the industry have for years followed such a practice." (F. T. C. Report to President on Steel Sheet Piling, App. C-5.)

A continuation of this understanding subsequent to the N. R. A. Code period is shown by the following exchange of correspondence:

On November 9, 1935, O. W. Bryte, of the Traffic Department of the Newport Rolling Mill Company, wrote to E. T. Butler of the American Iron and Steel Institute calling attention to the cancellation of certain freight rates and saying:

"As we have not been furnished with supplement carrying similar cancellations against your Freight Tariff No. 2, will you please inform the writer if we shall be guided by the corrections as heretofore mentioned or if we shall adhere strictly to your Freight Tariff No. 2."

On November 13, Mr. Butler replied:

"In the meantime, in connection with the question raised in the second paragraph of your letter it is my understanding that until such time as the rates in Freight Tariff No. 2 are changed, the rates to be used are those carried in Freight Tariff No. 2."

The above described practices with regard to freight rates is a tacit recognition of what the Federal Trade Commission found as a fact from evidence in the Pittsburgh plus case to the effect that freight tariffs are complicated, that oftentimes there are two or more different freight rates between two points given in different tariffs and that different traffic experts might not arrive at the same results. (Findings of Fact, Docket 760, Paragraph 14 (n)).

As pointed out by the Federal Trade Commission in its reports to the Senate in March, 1934 and to the President in November, 1934, the industry has maintained the all rail basis of freight in calculating delivered prices in the face of protests from numerous business interests and numerous organizations of business interests which were being deprived of their potential natural advantages represented in their ability to use cheaper forms of transportation than all rail. N. R. A. filed with the institute a partial list of protests against the suppressed condition of inland waterway transportation under the code. That list included seventy-two names, of which twenty-eight were industrial concerns, eight were water transportation agencies, four were associations devoted to improvement of rivers and canals, four were local Chambers of Commerce, twelve were United States Senators and fourteen were members of the House of Representatives. At a meeting of members of the industry, these protests were rejected and the all-rail basis of freight calculation was reaffirmed by an overwhelming vote. (F. T. C. report to the President, November, 1934, page 23).

Shortly after this meeting, the deputy administrator in charge of the code summarized the situation in part as follows:

"Up until the Code Authority meeting yesterday, it was the belief of Messrs. Richberg, Simpson and myself that the Industry was making conscientious efforts to solve this problem. * * *

"After the meeting Mr. Simpson and I, in discussing the matter, reached the conclusion that the Code Authority recently has not shown the proper attitude or activity toward formulating a definite method for adjusting this inland waterway transportation problem, and the further conclusion that some action on the part of this Administration may be necessary to accomplish this purpose. * * *

When the institute's board of directors proposed to permit mills shipping by water to make deductions in delivered prices without at the same time permitting inland mills from meeting such deductions, resolutions were adopted by certain groups of competitive producers, stating their opposition as follows:

"If water shipments can be sold at lower prices than rail shipments, it creates a hardship on inland mills by excluding them from business in which they have always participated; it creates a hardship on inland consumers by placing them in an unfair position as to the cost of their products; it creates a hardship on inland communities by establishing preferential prices under which it is more desirable for communities to be located on waterways; all of which is contrary to the spirit and letter of the code of fair competition for the industry." (F. T. C. Report to Senate, March, 1934, p. 28).

The Federal Trade Commission commented upon the above position by saying in its report to the Senate:

"The position above taken is that by imposing equal hardships on communities located on waterways, the hardships of the inland communities are thereby removed. It also comprehends the theory that sectional advantages conferred upon buyers by nature should be nullified in order to insure identical delivered prices for the benefit of the sellers." (Ibid, p. 28).

The position of the industry with reference to competition from plants having the advantage of water transportation is further shown by correspondence between Mr. R. P. Lamont, President of the Institute when the N. R. A. Code was adopted, and the South Chester Tube Company of Chester, Pennsylvania. The latter company had a plant located on tide water and sought assurance from the directors that the advantages of its location would not be destroyed or impaired. Mr. Lamont replied that the Board of Directors realized that members of the industry with advantages of any kind desired to preserve them and that those with disadvantages desired to have them eliminated. Referring to the geographical advantage of the South Chester Tube Company, he said:

"To leave such advantages with you would result in continuing unfair competition in your favor as against your competitors who, for some reason or other, may

not be as advantageously located in respect to transportation as are you." (Ibid, p. 49).

In view of the above facts the question again presents itself as to whether the objections to the basing point system are based upon "abstract criteria" as contended by the Corporation or upon "tangible evidence."

(e) *Relation Between Price Leadership and Collaboration Among Competitors.*

How readily leadership of the Corporation on prices may supplement the trend toward collaboration among competitors is demonstrated by evidence presented before the Temporary National Economic Committee. It was there established that for many years it has been customary for competitors of the Corporation engaged in selling tin plate to can manufacturers to contract with their respective customers in terms of whatever base price the Corporation might negotiate and announce in its contract with the American Can Company. An American Can Company official testified that Carnegie-Illinois Steel Corporation, and its predecessor, American Sheet and Tin Plate Company, were the only companies that published a base price on tin plate (Verbatim Record T. N. E. C. Hearings, November 8, 1939, p. 256). He also testified that other sellers of tin plate "have not made a lower price than Carnegie-Illinois have made to us", but had agreed to take the price fixed by Carnegie-Illinois, which is "the officially named or published price". Mr. Fairless, President of the Corporation controlling Carnegie-Illinois and its predecessor, testified that it was a correct assumption that competitors "are content to take whatever price Carnegie-Illinois 'posts'" (Ibid, November 8, p. 257).

Mr. Grace of the Bethlehem Corporation, the second largest producer, could not recall any occasions when his company had taken the initiative in reducing prices, but said that "generally we haven't" and that as far back as he could remember "in the main we would normally await the schedules as published by the Steel Corporation" (Ibid, November 9, p. 281). He could recall no instances where the Bethlehem Corporation failed to follow the Corporation in advancing prices and in the adoption of standard extras (Ibid, November 9, p. 281).

In hearings before the Senate Committee on Interstate Commerce in April 1936, W. A. Irvin, then President of the Corporation, testified that his companies "generally make the prices, unless some of the other members of the industry think that that price may be too high, and they make the price", that competitors "generally" followed the Corporation's price, and that the exceptional deviators were looked upon as "price cutters". (Hearings on S. 4055, p. 595).

The sales manager of Jones & Laughlin stated to representatives of the Federal Trade Commission in 1936 that he felt compelled to follow the prices of the Corporation and that to sell below the prices of competitors would bring about a ruinous competitive condition. The Vice-President in Charge of Sales for the Carnegie-Illinois company stated that it never takes the initiative in reducing prices, is anxious to obtain the highest possible price, and that it is a fallacy to attempt to increase business by reducing prices. Commenting on this in its report to the President on June 10, 1936, the Federal Trade Commission said:

"Under such a philosophy all that is necessary is to set up some system for informing all competitors what is the highest mill base any one of them desires and mill base quotations automatically become identical. Lower costs of production and cheaper costs of transportation must not be allowed to bring a price below that of competitors for fear of a ruinous competitive condition. Such a view is wholly frustrative of price competition." (p. 6)

The above evidence is merely confirmatory of the Commission's findings of fact in the Pittsburgh Plus case in 1924 to the effect that the Corporation's "prices are generally followed by their competitors." (F. T. C. Decisions Vol. VIII, p. 32, Paragraph 12i). The Commission also found from evidence in that case that the Corporation had collaborated extensively with its competitors in preparing, adopting and circulating compilations of uniform extras and differentials, freight rates, tolerances and weights, for the purpose and with the effect of establishing and maintaining identical delivered prices. Between 1907 and 1911 the Corporation was the leader in promoting the so-called Gary dinners at which agreements and understandings with its competitors were reached as to base prices on various products. Prior to 1907 the Corporation was a leader in pools and zone price-fixing arrangements, and other devices for eliminating price competition between it and its competitors (See opinion of Judge Buffington in U. S. vs. U. S. Steel Corporation, 223 Fed. 55).

(f) Degree of Observance of Basing Point System.

Without an investigation of sales records directed specifically to the above subject, there is no way of providing an answer that is dependable. The general opinions of parties interested in defending the basing point system are almost certain to exaggerate the number, proportion and degree of departures from the system. Competitors are likely to have an honest but exaggerated idea of the departures made by their rivals and may unduly minimize their own. Yet departures undoubtedly occur, sometimes unintentionally and sometimes deliberately.

The logic of treating deviation from and disregard of the system, however, as an argument for the system itself is patently defective. Yet the Corporation adopts it. Thus it is stated that the basing point system enables "the buyers to induce price concessions by trading one producer's prices against another's" (Ex. 1418, p. 38). This statement was made shortly after the Corporation quoted from the N. R. A. Report to this effect:

"The outstanding characteristic of the basing point system is the fact that it puts rival producers on a footing of price equality with each other and all the consuming points over a wide area * * *" (Ex. 1418, p. 37).

The system which is designed to prevent buyers getting any lower delivered prices from one producer than from another is credited with giving buyers the opportunity of inducing price concessions by trading one identical delivered price against another.

In another place the Corporation argues that the basing point system tends to prevent prices from rising more than it tends to prevent them from decreasing "since unpublished price reductions are possible, whereas unpublished price increases, of course, never occur" (Ex. 1418, page 46). Unpublished price reductions are also possible where prices are made f. o. b. mill or in fact under any conceivable pricing system. They are not so peculiar to the basing point system that the system can take credit for the downward pull upon price levels of unpublished price reductions. The Corporation also states that the basing point system has no more of a stabilizing influence than does any open price system, saying that "the same stabilizing influence would result from any open price system" (Ibid, p. 46). Obviously an open price system based wholly upon f. o. b. mill prices could not result in making delivered prices identical. Mill net prices, of course, might be the mathematical derivative of an identical delivered price. Although as shown above the Corporation claims that any open price system would produce "the same stabilizing influence", it also quotes from the N. R. A. Report to the effect that while an open price system could be used with any kind of a price structure "it has its fullest effect if each producer knows the delivered prices he has to meet at each purchasing point" (Ex. 1418, p. 30). The corporation also argues that without knowing what prices would have been in the absence of the basing point system there is no way of determining the effect of the system upon prices (Ex. 1418, p. 45). The Corporation nevertheless quotes N. R. A. to the effect that the system puts competition "on a basis which will yield higher prices than would result without it" (Ex. 1418, p. 30).

In considering the degree of adherence to or deviation from the basing point system of identical delivered prices, the testimony of prominent representatives of the industry is pertinent. Mr. Eugene Grace, president of Bethlehem Steel testified before the Temporary National Economic Committee that he believed in the fundamental law of competition and that concessions from base prices were "wholesome". Yet he agreed that such concessions were inconsistent with the ideal of the posted price system and said he did not want to see the base price structure destroyed. (Verbatim Record, T. N. E. C., hearings, November 9, 1939, p. 283.) Mr. Grace further testified that during the unsettled price conditions of early 1938, published base prices were not being adhered to in sales to capital goods producers but that they were getting base prices on the smaller type of orders and on consumers' goods like the canning industry where the demand was holding up. He admitted that even some large buyers were probably paying the full base price, that the government ordinarily continued to be quoted the full base prices and to pay them, and that it was Bethlehem's policy to get published base prices if it could (Ibid, pp. 277, 278, 279). Mr. Fairless, president of the Corporation, also testified that some buyers paid the base price plus standard extras at the same time that others were getting reductions (Ibid, Nov. 7, p. 209).

Mr. Fairless also testified that at no time in 7 years had the Birmingham area been able to secure its full published prices "except in rare instances" (Ibid, p. 213). The 7 years referred to would have included the N. R. A. Code period, and if Mr. Fairless's testimony was correct, it is equivalent to a statement that

there was a wholesale violation and disregard of code requirements which would have subjected the violators to a fine at the rate of \$10 per ton.

Mr. W. A. Irvin, formerly president of the Corporation, testified before the Senate Committee on Interstate Commerce in April, 1936, that:

"The customers who are able to get concessions are those having larger orders to place and ones who utilize steel in their own production." (Hearings on S. 4055, p. 607.)

A recent report of the Procurement Division to the Temporary National Economic Committee contains illuminating information as to the extent of identical bidding on steel products. It was presented as part of a survey of the practice of identical bidding on all commodities purchased by the government during a 12 month's period from December, 1937, to November, 1938, inclusive. The total survey included more than seven million bids and over 1,600,000 bidders. (Report, p. 68.) The cases of identical bidding totaled 25,610 and among these "iron and steel and their products" led all others with 6,693 cases or 26.1 per cent of the total as against 12.8 per cent for the next highest commodity (Ibid, pp. 72, 73) and 10.15 per cent of identical bids for all commodities. The survey shows three forms of identical bidding: (a) cases where all bids were identical, (b) cases where two or more of the lowest bids were identical, (c) cases where two or more identical bids were higher than other bids. Of the first class "iron and steel and their products" had 21.4 per cent as against 17.3 per cent for the next highest commodity and 1.72 per cent for all commodities. Of the second class of identical bids "iron and steel and their products" had 25 per cent as against the next highest commodity of 13.6 per cent and 2.46 per cent for all commodities. Of the third class of identical bids the industry had 29.3 per cent as against 11.3 per cent for the next highest commodity and 5.97 per cent for all commodities.

In the classification of "iron and steel and their products" however, the survey includes 31 classes of commodities, of which steel works and rolling mill products are one. On the basis of the sub-classification of steel works and rolling mill products the percentages of the three types of identical bids were 30.8, 27.8 and 41.3 per cent, respectively, as against 21.4, 25, and 29.3% for the general classification of "iron and steel and their products". (Ibid, p. 91.) Thus it appears that the percentage of identical bids among steel works and rolling mill products was substantially higher than among other products classified under the designation "iron and steel and their products".

Taking all bids regardless of commodity, the Procurement Division reported that 89.85 per cent in value and 76.9 per cent in number were non-identical. Only the remainder showed one of the three types of identical bidding previously described. It is thus apparent that the practice of identical bidding on federal government purchases is concentrated in a comparatively few industries and that "iron and steel and their products" lead all the rest in that respect, and that within the industry defined by the quoted words, steel works and rolling mill products lead all other in the percentage of identical bids to the total number included in the survey. The actual government expenditures in cases of identical bidding totaled nearly \$36,000,000 (Ibid, p. 65). If to this total were applied the 26.1 per cent relation of identical bids in "iron and steel and their products", government payments of \$9,396,000 would be indicated in cases of identical bidding. If the simple average of 23.2 per cent applying to the first two types of identical bids for steel works and rolling mill products were applied to the total purchases of all commodities, the government payments to the steel works and rolling mills would be indicated as \$8,352,000.

THE BASING POINT SYSTEM WAS NOT A NATURAL EVOLUTION INHERING IN THE PECULIAR ECONOMIC NATURE OF THE INDUSTRY, BUT WAS DEvised BY COMPETITORS AS A MEANS OF ELIMINATING PRICE COMPETITION

A discussion of this subject is made necessary by certain assertions of the Corporation which are not in accord with the facts. One of the declared purposes of its pamphlet is "to establish that this pricing method is the natural result of basic economic conditions in the steel industry" (Ex. 1418, foreword). In another pamphlet, the Corporation asserts that the system is "a simple pricing medium which has evolved over a long period of time to meet the peculiar characteristics of the steel industry" (Ex. 1410, p. 26).

Before proceeding to an analysis of the argument made to support the statements quoted, there will be described briefly the evidence developed during the trial of the Pittsburgh Plus case, and which was summarized by the Federal Trade Commission's Findings of Fact made in 1924. The evidence taken traced the

origin of the basing point system back to its earliest beginnings in the steel industry. According to the testimony of Col. Henry P. Bope who had been connected with the Carnegie interests since 1879 and was later with the Corporation until 1918, the first use of the Pittsburgh Plus System was in 1880, when four manufacturers of structural beams formed an association to fix prices and adopted Pittsburgh as the basing point on which delivered prices should be made. Prior to that time the practice was to quote f. o. b. mill and each mill made whatever price seemed necessary to take the business. Later on, the Beam Association used a zone method of fixing prices building up the delivered prices upon average freight rates within each zone. Col. Bope also testified that the various associations covering various steel products used the basing point system as fundamental to their price fixing activities, that they could not maintain prices without a basing point, and that when a temporary departure from the system occurred in 1909 the mills got into a condition of chaotic prices and were glad to return to the Pittsburgh base. (Typed Transcript of Testimony, D. 760, pp. 10859, 10861, 10863, 10869, 10870.)

In 1902, the Bar Producers, including the Corporation's subsidiaries, met and agreed upon the Pittsburgh Plus system as a basis for fixing and maintaining uniform delivered prices. The plate and structural shape producers met and did likewise in December, 1903, and in 1904 the large wire producers, including a corporation subsidiary, agreed upon the Pittsburgh Plus system as a method of maintaining uniform prices (Findings of Fact, Docket 760, par. 14, b, c and d).

The Pittsburgh Plus System was adopted in 1900 by the National Tube Company, a Corporation subsidiary, and all its competitors adopted the same practice (Ibid, par. 14, e). A sales manager of American Steel and Wire Company, a subsidiary of the Corporation, testified that usually there was no price competition among the wire manufacturers and that generally all wire mills charged the same delivered prices on a Pittsburgh Plus base (Findings of Fact, Docket 760, par. 12 c).

In 1900 the Pittsburgh Plus system was adopted by the Billet Manufacturers as a basis for their agreed prices, and in 1918 by an agreement among bolt, nut and rivet manufacturers (Ibid, par. 14, f & g). The basing point system was not applied to the sale of tinplate until 1903. Prior to that time the Corporation sold tinplate f. o. b. mill (Ibid Par. 14, i).

In May, 1901, while the Corporation was still in process of formation, its various sales managers in meeting assembled formally voted that all carload lots "shall be sold delivered at destination, based on tariff rates of freight" (Government exhibits in case of U. S. vs. U. S. Steel Corporation, Vol. 22, p. 619). This policy was re-affirmed from time to time by vote of the sales managers (Ibid. pp. 625, 627 and Hearings before the Stanley Committee, Vol. 6, p. 3961).

The Federal Trade Commission found in the Pittsburgh Plus case, from evidence received in that case, that the Corporation was continuing to cooperate actively with the National Association of Sheet and Tinplate Manufacturers, that the Corporation's prices were furnished to the Association and relayed by wire from it to its members before being announced to the public. The Commission found that the Association members generally adopted the Corporation's prices as their own (Findings of Fact, Docket 760, par. 14, j.). The Commission also found that the Corporation was providing its competitors with booklets containing extras and differentials, with freight rate books which standardized the transportation factor in delivered prices, and with tables of tolerances and weights, all of which were necessary in making the Pittsburgh Plus system effective in its objective of identical delivered prices (Ibid. par. 14, r, n & p).

The Commission found in the Pittsburgh Plus case that during the World War Pittsburgh Plus was discontinued at Chicago on plates, shapes and bars, but just before the close of the war it was restored at the suggestion of Judge Gary and one or two other steel producers (Findings of Fact, Docket 760, par. 14, z to 11).

It may be noted also that prior to the adoption of the NRA Code for the iron and steel industry pig iron had been sold on an f. o. b. furnace basis, notwithstanding that an effort was made by Judge Gary, of the Corporation, to have a basing point system established on pig iron during the World War. (Ibid, par. 14, z 19). In testifying before the National Recovery Review Board, in April, 1934, the executive secretary of the American Iron and Steel Institute stated that, with one exception, "every one of those furnace locations which had been previously used as a place for quoting prices f. o. b. furnace is now a place listed as a basing point", and that whereas pig iron before the Code "was quoted at an f. o. b. furnace price, it is now an f. o. b. basing point price". (Stenographic Report of Hearings, Natl. Recov. Rev. Bd., April 20, 1934, p. 181). Since the Code which provided for this change in the method of pricing pig iron was the

product of the organized steel industry, it can hardly be claimed that the establishment of the basing point system in pig iron was merely a natural evolution of competition forces as distinguished from joint effort on the part of competitors.

Passing over this most modern instance of the extension of the basing point system, the Corporation goes back to a period prior to the American Revolution for an example of what it says is "a clear picture of a rudimentary basing point structure" embodied in the Philadelphia iron market. It refers to the "remarkable evidence of a basing point price structure centered on Philadelphia prior to the revolution" (Ex. 1418, p. 15). A description given elsewhere in the same exhibit, however, says that "iron products were sold on a Philadelphia base with outlying mills absorbing freight in order to bring their products to the central market" (Ex. 1418, p. 83). This strongly indicates that this Philadelphia iron market was the very opposite of a basing point system, in that it was a central buying market, like a commodity exchange. If so, that was no more freight absorption than a farmer has in getting his crop to market.

Coming now to the argument made by the Corporation in support of its assertions as to the natural economic evolution of the basing point system, it quotes from a book by Dr. de Chazeau to the effect that the system evolved naturally because of the growing scale of operations and the shift from iron to steel production, and that the evolution of economic forces was more important in explaining the development of the basing point system than "the birth of a dominating corporation". Nevertheless, the Corporation admits in the same connection that among the economic forces referred to by Dr. de Chazeau were "the material increase in investment and overhead cost, combined with the centralization of producing units" (Ex. 1418, pp. 16, 17). Such factors, of course, were one aspect of the birth of the dominating corporation and, as before shown, the Corporation, after the merger of its various constituent corporations was completed, formally and definitely decided upon adherence to the basing point system of delivered prices. The question may be raised as to what logical or necessary relationship there is between the development of large-scale productive facilities and a system of identical delivered prices for all competitors, whether large-scale or otherwise. There may be some logical relationship between such a system and the permanent success of mergers which bring together under one ownership scattered productive facilities which would otherwise compete with each other.

Referring to the fact that in the early days of the steel industry prices were quoted f. o. b. mill, the Corporation states, "From this assumption the Commission and other critics seem to have concluded that f. o. b. mill prices are the 'natural' way of quoting steel prices" (Ex. 1418, p. 83). As a matter of fact, it was the actual historical way and the natural way for competitors acting independently to quote. It is not the natural way for monopoly of course, and is repugnant to identical delivered prices. The Federal Trade Commission found as a fact in the Pittsburgh Plus case that "no systematic Pittsburgh Plus system had been adopted by the steel producers at the time of Pittsburgh's greatest predominance in the steel industry, or until after 1900" (Findings of Fact, Docket 760, par. 14 a). The Corporation seeks to create the impression that there was no connection between its initial merger of competing companies and the use of the basing point system as a comprehensive method of pricing all steel products. It is implied that the basing point system had been established for most products prior to the formation of the Corporation in 1901 (Ex. 1418, p. 16). However, the footnote citation given does not support that implication. The chronology of the basing point system as it was extended to apply to more and more steel products has been previously shown.

It is stated that the Pittsburgh Plus system vanished in Chicago in 1911 and 1912, and that it was not in force anywhere during the World War (Ex. 1418, p. 17). The Federal Trade Commission found from evidence in the Pittsburgh Plus case that "from the time the Pittsburgh Plus practice was adopted by the steel industry to the present time, Pittsburgh Plus prices disappeared whenever substantial price competition occurred in the Chicago district; prices of steel producers in such cases were made f. o. b. their respective producing mills. When the Pittsburgh Plus prices were resumed, price competition had ceased" (Findings of Fact, Docket 760 par. 14 t). As a matter of fact, when the War Industries Board fixed maximum prices on steel products during the war, it accepted Pittsburgh and established other points of production basing points for such products.

The contentions of the Corporation that the basing point system developed as a natural evolution out of the peculiar economics of the industry are not supported by any "tangible evidence" and they are contradicted by such evidence. They are supported by nothing more tangible than assertions, conclusions, surmises and rationalizations. They are in striking contrast to the tangible

evidence recited by the Federal Trade Commission to sustain its conclusion that the basing point system in the steel industry was devised by competitors as a means of eliminating price competition.

THE COLLECTION OF "PHANTOM FREIGHT" CHARGES IS INHERENT IN THE BASING POINT SYSTEM OF DELIVERED PRICES AND THE AMOUNTS COLLECTED ARE PROPORTIONED TO THE SYSTEM'S OBJECTIVE OF MAINTAINING IDENTICAL DELIVERED PRICES.

The term "phantom freight" simply means that where the actual freight is less than the amount added to the base price to cover the freight element in the delivered price, the difference goes to the seller, giving him a mill net yield greater than the governing base price by the amount of that difference. It is not freight in any sense but is an addition to the sales price. Nor is it a phantom in the sense of being unreal. The existence of it is just as real as the base price itself and the size of it may at times approach the base price. This is one of the features of the basing point system which sellers find it most difficult to defend. For it involves the anomaly of a seller realizing the most out of a delivered price where there is little or no actual freight charge included in it. As between buyer and seller, the nearby buyer is not only deprived of any price benefit from his location but is penalized for it.

The Corporation freely concedes the existence of so-called "phantom freight" and goes into great detail to explain the various circumstances which give rise to the different types and amounts of such freight. An attempt is made to vindicate the practice by arguing that it is an expression of normal competition in which the seller merely takes advantage of his geographical location to obtain a better price. Thus, it is said that the mill which charges "phantom freight" merely "names a delivered price which permits it to profit from a competitive advantage, due to a superior geographical location" (Ex. 1418, p. 8); that a producer located on water has an advantage over producers not so located "which he is properly entitled to realize by a higher mill net return" (Ibid, p. 100); that as to such a mill "there is no competitive reason why it should give the benefit of the lower transportation to the customer" and if it did so "it would be following some non-competitive principle" (Ibid, pp. 65-70); that mills at a considerable distance from a basing point and with a corresponding freight advantage in selling to nearby customers "behave competitively and naturally when they charge their customers a price which realizes that advantage" (Ibid, p. 59); and that "the strong as well as the weak producers are behaving competitively and naturally when they charge prices which reflect their freight advantage over other producers on sales in their local territories" (Ibid, p. 62). A somewhat similar argument was advanced by the executive secretary of the American Iron & Steel Institute in testimony before the Senate Committee on Interstate Commerce in March, 1936, when he said that if he had a steel plant located at an isolated point such as Duluth, such plant "would have what might be called, in effect, a protective tariff on the transportation," because of what a mill located elsewhere "would have to bear to get his product into my immediate vicinity." (Printed record of hearings on S. 4055, p. 275.)

It is obvious, of course, that such arguments, except possibly the last, beg the question. They merely assert the competitive character of the practice, the very thing that is in dispute. They admit that the collection of "phantom freight" is the necessary result of including more freight in the delivered price than is actually incurred, a characteristic of the basing point system. Yet it is argued that "the possibility of a non-basing point mill realizing mill net returns higher than those obtained by competitive mills at basing points, is not due to the absence of a basing point, but to a geographical advantage." (Ex. 1418, p. 61.)

The foregoing arguments divert attention from the crucial fact that the success of the basing point system in accomplishing its main objective of identical delivered prices for all competitors, necessitates that mills with advantages of geographical location retain them, so far as prices are concerned, and not merely retain them generally, but systematically to the last cent or fraction of a cent of their freight advantage. If they share with their customers the slightest part of such advantages by making a lower delivered price the main objective of the system is defeated. Under anything approaching free competition a mill with a geographic freight advantage might voluntarily share or be forced to share such advantage with the buyer having the same geographic location as himself. But to do that would undermine the system itself. The arguments even go to the length that the least sharing of such advantage is to follow some non-competitive principle. This is equivalent to contending that a lower delivered price than that of mills with the

disadvantage of higher transportation is non-competitive. To retain the full amount of the freight advantage of each mill is of course to cancel the full amount of the freight disadvantage of each other mill in order to establish and maintain identical delivered prices. Moreover, the amount of "phantom freight" that may be collected by a non-basing point mill in a given instance depends upon its relation freight-wise to the governing basing point. The amount that may be collected by a basing point mill depends upon its relation freight-wise to the destination. The amount that either may collect is also related to the difference between all-rail freight and the actual freight by cheaper modes of delivery. The Corporation also makes clear that the collection of "phantom freight" is not limited to non-basing point mills but is indulged in by basing point mills also. But as to both, the success of the system demands that this be done. The significance of the Institute secretary's comparison between the protective tariff and "phantom freight" is that in both cases the amount that must be paid and the basis on which it is calculated are determined by a system of rules designed to insure the highest degree of exactitude.

In its illustrations of certain types of "phantom freight", the Corporation attempts to minimize their amount and importance. Thus, it is said regarding "phantom freight" realized by non-basing mills within the switching areas of a basing point that "the amounts which they might realize over their base prices are of no consequence to either producer or consumer." (Ex. 1418, p. 63) Yet even in such illustration the amount of "phantom freight" was shown to range from 10 cents to 50 cents a ton and it is stated elsewhere by the Corporation that "customers generally order in large quantities, which makes a small price cut worth bargaining for" and "consequently, a small difference in price will shift large orders from one producer to another." (Ex. 1418, p. 26) Again, in illustrating "phantom freight" arising out of differences between arbitrary switching rates and the actual, it is said that the amounts involved are "insignificant." (Ex. 1418, p. 64 footnote) These "insignificant" amounts, however, may spell the measure of "a small difference in price" sufficient to shift large orders.

An effort is also made to minimize the amount and importance of "phantom freight" arising out of differences between cost of delivery by truck and by rail. It is stated that "only an extremely small proportion of steel tonnage is delivered by truck, partly because many products cannot be economically hauled by truck, and partly because large consumers prefer rail delivery." (Ex. 1418, p. 72) Yet it is admitted that almost any steel product can be shipped by truck, that light flat rolled products are easiest to load and transport by truck, that many types of wire products can be trucked economically and that there is "considerable demand for delivery by truck of some products." (Ex. 1418, pp. 70, 71) As shown by the Federal Trade Commission in its report to the Senate in March, 1934, the amount of "phantom freight" involved in the 35 percent rule on truck deliveries in many instances amounted to from \$2.50 to \$3.90 per ton. (FTC Report, pp. 34, 35)

The Corporation also states as to "phantom freight" that it is "very doubtful whether any mill in a basing point area realizes any net gain, even on sales to its nearest customers." (Ex. 1418, p. 64) The important question is not whether the total amount of "phantom freight" exceeds the total amount of "freight absorption", whether for an individual mill or company or for the industry as a whole. If the total amount of "phantom freight" were always less than the total amount absorbed, there still would be identical delivered prices and a systematic inclusion of such freight to produce that result at any given destination.

It is worthy of note that the Corporation does not show the amounts of "phantom freight" which accrue to non-basing mills located at considerable distances from basing points. Nor does it show the amounts which accrue by reason of differentials between basing points that embody some or all of the transportation charge from other basing points. Several illustrations may be given which will show how substantial and important these omitted types of "phantom freight" still are to large areas of the country, despite the discontinuance of the single basing point system, the substitution of the multiple basing point system, the 1938 elimination of certain price differentials between basing points, and the addition of new basing points in that year.

In its report to the President on the Steel Code in November, 1934, the Federal Trade Commission stated that as to sheets the Pacific Coast ports were basing points "in name only, their prices being merely a composite of the Pittsburgh base price plus transportation from Pittsburgh. Accordingly, the Pittsburgh-plus system is literally in effect in that territory." (Report, p. 28) The Commission quoted from a protest filed with the American Iron & Steel Institute by the Los

Angeles Chamber of Commerce in May, 1934. The Chamber said that the Pacific Coast basing point prices were "substantially equal to the Pittsburgh mill base prices, plus rail and water transportation charges, including wharfage, handling, and terminal delivery." The Chamber further said that this had the effect of "depriving local steel rolling and working industries from the volume and profits of business afforded by a restricted local territory, as to which they have very definite geographic and transportation advantages." (Report, p. 19.)

As to certain products the situation on the Pacific Coast remains substantially unchanged. The general manager of the Pacific Coast Fabricators Association testified before the Temporary National Economic Committee on November 14, 1939, that prices paid by members of his association at Pacific Coast ports were as much or more than the eastern mills' base price plus rail and ocean freight to Pacific Coast ports, plus marine insurance, wharfage and loading on cars from the wharves at such ports. (Verbatim Record, TNEC Hearings, p. 378, Ex. 1441, pp. 386, 387). Yet products so priced are produced at San Francisco and Seattle mills owned solely by the Corporation and Bethlehem. Bars produced on the Pacific Coast are priced at Birmingham plus, shapes at Philadelphia plus, and sheets at Sparrows Point plus. The amount of "phantom freight" thus involved ranges from \$10 to \$13 a ton. Prior to July, 1938, sheets were sold on the Pacific Coast at Pittsburgh plus and the amount of "phantom freight" was \$15 per ton. The amount of "phantom freight" which led to the application of the Western Association of Rolled Steel Consumers for relief against the Pittsburgh Plus practice was only \$7.60 a ton at Chicago.

The effect of the present basing point system on Pacific Coast fabricators is similar to the effect of the Pittsburgh Plus system on Middle Western fabricators prior to 1924. The manager of the Pacific Coast Fabricators Association testified that Eastern and Middle Western fabricators were enabled to ship to the far west and compete with the West Coast fabricators but that the latter could not ship to the east. (Verbatim Record, TNEC Hearings, Nov. 14, 1939: p. 381) This is the very predicament that Middle Western fabricators found themselves in under the Pittsburgh Plus system. Eastern fabricators were enabled to compete with them in the west while the western fabricators were prevented from competing in the east.

There has been a tendency in some quarters to infer that the discontinuance of the single basing point system known as Pittsburgh Plus, and the substitution of the multiple basing point system in 1924 had the effect of ending the discrimination expressed in "phantom freight" charges. That inference was encouraged by the addition of new basing points under the N. R. A. Code and of others in 1938, coupled with the abrogation during that year of price differentials between various basing points. As a matter of fact any such inference is not well founded. "Phantom freight" and the discrimination it embodies against important consuming sections still exist in substantial amounts in various important steel products. It will always exist in the basing point system so long as given product is priced on a point other than its place of production and shipment (assuming local sales are made by non-basing point mills) and so long as it is priced for delivery by a mode of transportation higher than that actually employed.

Actual instances and illustrations of the substantial amounts of "phantom freight" existing at the present time may be cited. The following consumers' goods are produced in large quantities at Sparrows Point (Baltimore) but are still priced on a Pittsburgh base: Buttweld pipe, Lapweld pipe, cold rolled strip, cold rolled sheets, tin plate, plain wire and nails and staples. Purchasers of these goods in Baltimore are charged Pittsburgh Plus by Baltimore producers. This involves the addition of "phantom freight" from Pittsburgh to Baltimore amounting to \$6.00 per ton. A subsidiary of the Corporation produces plain wire and nails at Allentown, Pennsylvania, but the price is still based on Pittsburgh. Allentown purchasers of these consumers' goods are charged Pittsburgh Plus involving "phantom freight" from Pittsburgh to Allentown of \$6.20 per ton.

Moving to the middle west, hot-rolled sheets and plain wire are produced at Kokomo, Indiana, by the Continental Steel Corporation and the same producer produces hot rolled sheets at Indianapolis. The price of the latter product at Indianapolis is based on Middletown, Ohio. Indianapolis purchasers are charged Middletown Plus. This involves the addition of "phantom freight" from Middletown of \$3.80 per ton. Kokomo prices for hot rolled sheets and plain wire are based on Gary and Chicago. Kokomo purchasers are charged Gary or Chicago Plus which involves "phantom freight" of \$3.60 per ton on sheets and \$4.00 a ton on wire. A mill at St. Louis produces Buttweld pipe but bases on Chicago. This involves a St. Louis price equivalent to Chicago Plus including \$4.80 a ton "phantom freight" from Chicago. A mill at Pueblo, Colorado, produces large

quantities of heavy structural shapes, light structural shapes, universal plates, hot rolled strip, merchant bars, concrete reinforcing bars, billets and blooms for forging, plain wire, nails and staples, barbed wire, wire fencing and bale ties. It bases prices for these products on Chicago and Gary. To local purchasers in Colorado, the addition of "phantom freight" from those basing points is required by the basing point system. This amounts to \$19.60 per ton.

There are two vital and complementary aspects of "phantom freight" such as described above. The more obvious one is that purchasers who are located at or near the non-base mill and buy such products for re-manufacture, are handicapped by the amount of "phantom freight" in competition with rivals located at or near the basing point. Written complaints from such handicapped purchasers were presented by the Federal Trade Commission in its report to the President in November, 1934. (Report pp. 19, 20, 25, 26). The less obvious but scarcely less important aspect of "phantom freight" is that the handicap may be so great as to preclude the establishment of re-manufacturing industries at or near the non-basing mills or else choke their development. Doubtless the "phantom freight" to Colorado and adjacent states is enough to forestall the establishment of re-manufacturing industries there and then utilization of the numerous steel products made in Colorado, but which are priced on a Chicago plus basis.

The effect of "phantom freight" in crippling or preventing the development of re-manufacturing industries is greatly enhanced by the ever present factor of waste. Every steel re-manufacturing plant necessarily wastes some of the rolled steel products which form its raw material. In some cases this may amount to 50% of the rolled steel products at purchases. When "phantom freight" has to be paid on raw material of which so much must be wasted and resold as scrap the burden may readily become too heavy for re-manufacturing to emerge or to survive even in the vicinity of raw material supplies, and even though the "phantom freight" without the factor of waste would not have been enough to have that effect. Competitors at basing points, without the handicap of "phantom freight" would have a crushing advantage. In the Pittsburgh Plus case it was shown that with a 30% waste factor, "phantom freight" to Chicago was in effect increased from \$7.60 to \$10.80 per ton and this made it impossible for a Chicago re-manufacturer to compete even in Chicago with a Pittsburgh competitor. (Com. Ex. 6801, Docket #760)

It can hardly be said that such conditions involve only "abstract criteria" and do not represent "tangible evidence."

THE SO-CALLED "ABSORPTION" OF FREIGHT CHARGES IS INHERENT IN THE BASING POINT SYSTEM AND THE AMOUNTS ABSORBED ARE PROPORTIONED TO THE SYSTEM'S OBJECTIVE OF MAINTAINING IDENTICAL DELIVERED PRICES

Just as the basing point system frequently requires the collection of more than the actual freight in the exact predetermined amounts necessary to produce identical delivered prices, it also frequently requires the acceptance of less than the actual freight in the exact predetermined amounts necessary to accomplish that end. Instances of the latter type are loosely and inaccurately called "freight absorption." Just as "phantom freight" is not freight at all but merely a graphic characterization of a certain type of addition to the base price, so freight that is said to be "absorbed" is not freight at all but is merely a characterization of a certain deduction from the base price and consequent reduction in mill net return. "Freight absorption" occurs wherever the actual freight of the shipping mill exceeds the freight from the governing basing point mill which forms the transportation element in the delivered price.

The Corporation admits that the term "freight absorption" is misleading but only on the ground that it implies the mills pay freight charges which the consumers ought to pay. (Ex. 1418, p. 4.) The real respect in which it is misleading is that it is nothing but a price reduction to purchasers located at the delivery points to which freight is "absorbed." This is implied in the same paragraph that makes the admission last referred to. Moreover, since the mills ordinarily do not pay or prepay freight charges, it is not apparent that the term is misleading in the respect claimed.

The Corporation also states that "freight absorption" is "an element more or less peculiar to the steel industry." (Ex. 1410, p. 30.) "Freight absorption" is not peculiar to the steel industry. It occurs in all delivered price systems wherever the actual freight exceeds the imputed freight element in the delivered price. In another pamphlet the Corporation argues that "freight absorption" is not rare or confined to the steel industry, illustrating this by reference to the sale of specialties such as candy and cigarettes and by individual concerns such as depart-

ment stores and corner grocers. In this connection the Corporation states that some customers of retailers carry their purchases home while others have them delivered at no extra cost, that candy bars and cigarettes are sold at uniform prices throughout the country at varying distances from the place of production. (Exhibit 1418, pp. 73, 74.) Such arguments ignore the fact that department stores and corner grocers freely permit their customers to take their purchases with them either to their homes or to any other place they wish, while under the basing point system this privilege is denied. Such arguments ignore the fact that the commodities involved are not standardized as to quality as are steel products. More important than all else, these arguments ignore the fact that the sellers referred to do not "absorb" the cost of delivery to the exact amount necessary to make their delivered prices to the consumer identical with those of competitors. It is common knowledge also that candy bars and cigarettes are not sold at uniform prices all over the country so far as retailers are concerned.

The Corporation quotes from the NRA report to the effect that "discrimination and freight absorption are natural results of bona fide competition." (Ex. 1418, p. 76.) At best this is only bare assertion. It is obviously untenable when applied to a situation where the "freight absorption" is systematically practiced by an organized group of competitors, where they simultaneously supplement it with "phantom freight," and where the coincident identity of delivered prices depends upon those two complementary practices.

The Corporation states that one reason for "freight absorption" is that capacities of steel mills in areas containing raw materials "are usually large enough to supply much more than the local demand." (Ex. 1418, p. 74.) This ignores the fact that there is considerable cross-hauling of the same product from one mill location to another and even beyond, in violation of the economic principle that the normal movement of standardized commodities is from areas of excess production into deficit areas and not from one surplus area to another. The Corporation states:

"It is natural and proper for a producer, in an effort to keep his mill busy, to sell steel in the different consuming areas where business is available, in this way realizing varying mill net returns on his business, the variance representing freight absorption." (Ex. 1418, p. 75.)

This statement errs in treating the variation in mill net returns as being entirely the result of "freight absorption" when it is also the result of "phantom freight." It omits an important fact necessary to determine whether it is "natural and proper," namely, that the purpose and effect of this systematic "freight absorption" is the consistent creation of identical delivered prices.

Since the Corporation uses only hypothetical illustrations of "freight absorption" it is impossible to gain from its pamphlets any idea as to the extent and amount of that factor. The most recent and authoritative information as to the extent of the practice of "absorbing" freight is that obtained by the Department of Justice through questionnaires answered by the industry. From such answers, representing a cross section of shipments for one month, it appears that the steel mills "absorb" freight on 70 per cent or more of their volume of business and that the amount of such "absorption" on various products ranged from \$1.25 to \$6.43 per ton. In the Federal Trade Commission's report to the President on Steel Sheet Piling in June, 1936, it was pointed out that on one set of bids the Corporation and Inland each offered to reduce their mill net return by \$6.30 a ton below the price first bid; that Jones & Laughlin offered to reduce its mill net return by \$7.30 a ton, and that Bethlehem offered to reduce its mill net return by \$10.70 a ton. Some of these reductions resulted from a waiver of "phantom freight" involved in the substitution of water transportation for all rail and others involved a further enlargement of "freight absorption." (FTC Report, pp. 30, 31.)

The Federal Trade Commission's report to the President in November, 1934, showed that Buffalo producers absorbed freight on structural shapes to Chicago amounting to \$8.00 per ton and to Pittsburgh of \$6.40 per ton, thereby reducing their net returns by those amounts compared to sales made in Buffalo. A Baltimore sheet producer "absorbed" \$7.70 per ton on about 40 per cent of his total distribution which was shipped to Michigan territory, this involving a corresponding reduction in his mill net compared with sales in Baltimore. (FTC Report, p. 13.)

In an extended discussion of cross-hauling, the Corporation treats that subject as a phase of "freight absorption." (Ex. 1418, pp. 76-79, incl.) As a matter of fact, it is just as much a phase of "phantom freight." It is stated that strictly speaking the term cross-hauling means shipments which cross each other and "the criticisms are often so phrased as to create a mental image of freight trains crossing in opposite directions on parallel tracks, loaded with identical products."

(Ex. 1418, p. 76.) As a matter of fact, that is the correct mental image of cross-hauling as applied to the basing point system. The Corporation does not deny the correctness of that image but treats it as an extreme case. The mental image described in the quotation, however, is less extreme than the actual situation in that shipment of identical products not only frequently cross each other but the mills frequently ship into each other's home towns and beyond at identical delivered prices. Following up its contention that "freight absorption" is the result of bona fide competition, the Corporation also states that "in fact, cross-hauling is the necessary result of competition." (Ex. 1418, p. 76.) The truth is that under the basing point system, cross-hauling becomes just as systematic and deliberate as "freight absorption" and "phantom freight." The combined range of these determines the extent of cross-hauling that may occur in any given instance.

Concluding its discussion of cross-hauling, the Corporations says:

"Before cross-hauling is condemned, it should be proven that the alternative would not involve economic costs, by way of transportation or otherwise, in excess of the supposed saving which would result. Not to be overlooked is the interference with competition which would necessarily be the consequence of any artificial limitation of marketing territories. Freight absorption is primarily produced by competition in the steel industry." (Ex. 1418, p. 79.)

Again the Corporation says:

"The alleged economic waste resulting from cross-shipments must be balanced against the countervailing advantages to the public of a competitive system and also against the economic losses which would follow from artificial limitations of marketing territories." (Ex. 1418, p. 100.)

In making the contentions embodied in these last two quotations the Corporation sets up a requirement which it elsewhere admits cannot be met. It elsewhere claims that it is impossible to measure quantitatively the amount of unnecessary transportation costs and equally impossible to measure the cost of any interference with present practices. (Ex. 1418, p. 77.) It also admits that there would be a small saving from an f. o. b. mill price system because of "its elimination of a certain amount of transportation costs." It then says the amount of such saving could not be estimated. (Ex. 1418, p. 98.) It is not necessary that there be any accurate estimate or measurement of the amount of unnecessary cross-hauling resulting from the basing point system or of the cost of any interference with it. The basic issue is whether the system which produces unnecessary cross-hauling is a collusive interference with competitive forces. If there be such interference and it be removed, there would go with it only the type of cross-hauling which was produced by it. The attempt to put the burden upon critics of cross-hauling resulting from the basing point system is equivalent to putting upon them the burden of showing that restoration of price competition would reduce prices and dispense with unnecessary transportation costs. This seems very much like requiring those who would attack a combination in restraint of trade first to justify the theory that competition would produce lower prices and thus be in the public interest. It would apparently require those suggesting procedure under a statute which embodies long-established public policy to justify the philosophy of the statute before proceeding under it.

Speaking before the American Iron & Steel Institute in 1928, Charles M. Schwab referred to cross-hauling as one of the principal instances of waste in distribution and that "it is manifestly uneconomic for a steel manufacturer in Chicago to ship 100,000 tons of steel to Pittsburgh at a time when a Pittsburgh manufacturer is shipping a like quantity of like material from Pittsburgh to Chicago." (FTC Report to the President, Nov., 1934, p. 13.) Mr. Schwab also said that "The net result of the cross-hauling of materials has not been to increase the output of the individual producers by any appreciable amount" but has "merely served to dissipate a part of their profits in unnecessary transportation." (Ibid, p. 14.)

The Corporation says that the essence of the criticisms of cross-hauling is that "transportation costs" are so high as to involve economic waste and inordinately high prices. To meet that the Corporation immediately asserts that the industry does not have "excessive distribution costs." To support this it cites a study of distribution costs made by the Association of National Advertisers covering some 312 manufacturers. An examination of that study discloses that transportation costs are merely one of the lesser elements in distribution costs. The study covers 29 industries, including 19 producing consumer goods and only 10 producing industrial goods. Iron and steel products do not have the third lowest "distribution costs" of the 29 industries investigated, as the Corporation states. There are 5 consumer goods industries and 3 industrial goods industries that show lower distribution costs than iron and steel and their products. Iron and steel have

the third lowest "transportation cost" among the industrials, but there are eight consumer goods industries that show lower transportation costs. (Ex. 1418, pp. 76, 77.)

The assertion is then made that the steel industry proper had even lower distribution costs than the companies included in the study. No description is given in the study as to what concerns are included under the classification "Iron and Steel and Their Products." The study defines transportation costs as including "out freight, cartage and express (paid or allowed); long distance truck (own trucks) local delivery; in freight paid on returned sales." ("Analysis of the Distribution Costs of 312 Manufacturers" published by Assn. of National Advertisers, (N. Y. 1933) pp. 64, 106.) It is submitted that the Corporation has no ground for comparing transportation costs under the above definition with transportation costs in the steel industry. The study obviously includes costs of transportation which represents an outlay by the seller. By contrast the greatest cost of transportation in the steel industry does not represent an outlay by the seller, since the buyer pays the freight to the common carrier, deducts it from the face of the invoice and remits the balance to the seller. Moreover, the fact that net sales volume is the basis for calculating the percentage of transportation costs shows that such costs could not include costs of transportation which do not pass through the books of the shipper. The Corporation elsewhere makes the point that the cost of transportation of steel products is relatively heavy in proportion to the delivered price, while in the study referred to the transportation cost of "iron and steel and their products" is only 1.30 per cent of the net sales volume.

THE CORPORATION RECOGNIZES THE SYSTEMATICALLY VARYING MILL NET RETURNS REPRESENTED BY "PHANTOM FREIGHT" AND "FREIGHT ABSORPTION" ARE DIFFERENCES IN PRICE AND CONSEQUENTLY DISCRIMINATIONS IN PRICE

In its findings of fact and order to cease and desist in the Pittsburgh plus case, the Federal Trade Commission decided that the price actually received by the Corporation's subsidiaries was their mill net return, that this systematically varied in proportion to the amount of the differences between the actual freight and the freight from Pittsburgh, the basing point, and that this constituted discrimination in price in violation of the Clayton Act. The amendment of that Act by the Robinson-Patman Act in 1936 has given rise to legal questions regarding price discriminations that are somewhat different from those previously arising under the Clayton Act.

It is significant and important nevertheless to note how closely the Corporation follows the Federal Trade Commission's concept of the basic meaning of the word "price" in the Pittsburgh Plus Case and in identifying price with mill net return. The Corporation is not always consistent, however, in taking that position.

The systematic character of variable mill net returns is described by the Corporation when it says, regarding a basing point mill:

"In general the mill will realize its highest mill net returns on sales to its nearest customers and progressively lower mill net returns as the distance from the mill to the consumer increases. The same is true of the mill net returns realized by non-basing point mills." (Exhibit 1418, p. 9)

The recognition that mill net return is the equivalent of price is apparent in recent testimony of officials of the Corporation before the Temporary National Economic Committee. Mr. Fairless, president of the Corporation, defined mill net yield as "our realized prices" and said that "realized price means just what it says it means. What we get for our goods, what we actually get for it." (Verbatim Record, TNEC Hearings November 7, 1939, p. 211). Mr. Gregg, a vice president of the Corporation, referred to "the mill return price" and said, "what the purchasers pay constitutes our mill net" (Ibid November 6, p. 192; November 7, p. 214). A chart prepared by the Tennessee Coal & Iron Company, a Corporation subsidiary, and introduced before the T. N. E. C., contains one column which is headed "Actual Net Sales Prices" (Exhibit 1394; Verbatim Record, November 7, pp. 214 and 235).

The Corporation's recognition that mill net return is the equivalent of price is further shown by certain statements in Exhibit 1418. In justifying the collection of "phantom freight," the Corporation quotes from a report by N. R. A. as follows: "In an extreme case, the producer who charges his nearby customers the highest prices may not be able to afford to charge them any less, despite the apparent contradiction involved in his voluntarily making lower prices to other customers who are farther off, that is, he may conceivably need all the benefit he can get from the utmost discrimination which his market situation permits, in order to

cover his total costs at all. Assuming such a case to exist, he would merely be forced out of production, and the customer would gain nothing in the way of lower prices, but would lose the convenience of being able to get service from a nearby source. This extreme case is not very likely to be found in practice, but it is possible." (Exhibit 1418, p. 60)

The Corporation prefaced its use of the above quotation by stating that—

"A still stronger case is presented by the steel mill which needs high prices in its most profitable territory in order to survive. A new producer, or any producer in a period of low demand, may require all the profit it can realize from sales to its nearest customers in order to cover its total costs."

The above quotations plainly imply that mill net returns are prices. The argument goes to the extent of claiming that the entire industry needs all the discrimination it can get as the Corporation says that any producer in a period of low demand may find need of the utmost discrimination which its market situation permits. In passing, it may be observed that if such discrimination is necessary in order to cover a producer's total costs, there is no assurance that it may not go beyond that point. If a producer may utilize discrimination to cover its total costs, there is apparently nothing to prevent him utilizing it to increase his profits also.

When the Corporation undertakes to justify "freight absorption" and the consequent acceptance of varying mill net returns from different customers, it again quotes from the report of N. R. A. The quotation definitely shows that N. R. A. recognized the mill net return as the equivalent of price.

"Producers regularly set a lower minimum when figuring a special price to capture a special class of new business than when figuring a general price for the main body of their sales. For special prices, the minimum is likely to be close to out-of-pocket or variable costs, while for a general price, producers will not bid below the total costs which they must cover if they are to keep running. The difference between these two levels is frequently substantial and lies at the bottom of the practice of absorbing freight to extend a producer's sale area." (Exhibit 1418, p. 75)

Again quoting from the N. R. A. report, the Corporation says that freight rates to distant territory "must be absorbed if a producer is to extend his marketing area toward the location of a competing producer and into the area where that competitor is now selling unless he voluntarily reduces his price on nearby sales to less than existing competition forces him to accept" (Exhibit 1418, pp. 75 and 76).

Notwithstanding its recognition as above shown that mill net return and price are equivalents, the Corporation nevertheless contends that variations in mill net returns from its different customers are not discriminatory prices. Even on this point, however, its position is not consistent. The Corporation quoted from the N. R. A. report to the effect that in an industry marked by the characteristics of the steel industry "discrimination and freight absorption are natural results of bona fide competition" (Exhibit 1418, p. 76).

In another place where it discusses variable mill net returns, the Corporation states "This is not a 'discrimination' in any sense of the word; it is competition" (Exhibit 1418, pp. 8 and 10). By contrast with the above shown recognition that mill net return is the equivalent of price, the Corporation states elsewhere that "Actually the price to the buyer is the delivered price" (Exhibit 1418, p. 9).

The range in the variable mill net returns of a given mill is marked on the one hand by its maximum "phantom freight" and on the other hand by its maximum "freight absorption". Information is not readily available that will permit of generalizations as to the range of variable mill net returns either as to a particular mill or as to the industry as a whole. However, some idea may be obtained as to the large sections of the country that may be affected by them on the strength of the Corporation's own statements. In connection with a hypothetical illustration of variable mill nets resulting from the use of water transportation and where the mill was receiving 75¢ per ton more from a customer at one point than a customer at another point, the Corporation stated:

"Such situations comprise a vast majority of shipments by water and include most of the water shipments to the Pacific Coast, the Gulf of Mexico, lower Mississippi River points and principal Great Lakes consuming centers" (Exhibit 1418, p. 67.)

Some idea may be gained of the extent of variation in mill net returns by the figures and graphs presented by the Corporation in Exhibit 1409, Section C. It there shows the mill net yield on various products by comparison with the base price, and in that connection the statement is made again and again that "there

has been even more fluctuation in the mill net yield, that is, the amount per pound actually received by the United States Steel Corporation subsidiary after deduction of cost of delivery". Similar statements are made as to commodities sold on a per ton basis.

The Corporation devotes some twenty-five pages of Exhibit 1418 to a detailed discussion of such subjects as "phantom freight", "freight absorption" and "cross hauling" all under the head of "Alleged Price Discrimination". While the variation in mill net returns resulting from "phantom freight" and "freight absorption" of various types is freely admitted, described and illustrated, the discussion as to whether such variation constitutes price discrimination is extremely meager. In fact, there is little more than a general denial at the outset of the discussion that variations in mill net returns constitute discrimination in price. It is stated that the fallacies in the theory that such variations are discriminations in price "have been discussed elsewhere in this study" (Exhibit 1418, p. 55; see also pp. 54 to 79, inclusive). There is no such discussion beyond attempts to justify such variations. Nowhere is issue taken with the proposition that the mill net return is the actual price received by the seller. Referring to the criticism of alleged price discrimination as embodied in variable mill net returns, the Corporation states "If it has any application, it is true only with respect to mills not at basing points, of which there are few today, and with respect to mills at basing points only on sales made within areas nearest another mill" (Exhibit 1418, p. 9). Correcting the latter part of this statement to make it apply to basing point mills "only on sales made within areas controlled by other basing points" it is an admission that comprehends practically the full scope of the criticism. The statement that few mills are not basing points is inaccurate. On some of the most important products the number of basing points is quite small compared to the number and location of the mills.

In its discussion of variable mill net returns, the Corporation is at least consistent in claiming that they are the result of competition and are not indicative of its absence. Thus it says that "because of competitive conditions in the industry, steel mills realize variable mill net returns in selling to different areas" (Exhibit 1418, p. 8). In discussing "phantom freight" under the head of "Alleged Price Discrimination", the Corporation states that the behavior of non-basing mills "erroneously described as realizing phantom freight, is not to be construed as the critics construe it—as evidence of the absence of competition. It is, on the contrary, truly competitive behavior". It is then said to be of a different type from that assumed in the economic conception of perfect competition in a perfect market (Exhibit 1418, p. 62). The claim that variable mill net returns result from competitive conditions obviously begs the question. Moreover, it is not the mere fact of variability that is significant; it is the systematic character and pattern of it. In every case it is exactly the amount that is necessary to equalize the delivered prices of all competitors at any given destination. The so-called competitive behavior in charging "phantom freight" involves discrimination that serves no purpose but that of automatically and systematically reflecting identical delivered prices.

The Corporation argues that criticisms directed to variable mill net returns place undue emphasis on such returns; that the customer is interested only in the delivered price and not in what "the mill ultimately receives (the mill net return)", and that the delivered price to a customer near the mill is generally lower than the delivered price to customers located farther away "except those located nearer another source of supply". The last quoted statement should be corrected to read "except those located nearer another basing point" (Exhibit 1418, p. 9). As to a customer being interested only in the delivered price, he is probably more interested in obtaining the lowest possible delivered cost and in the fact that the systematic variation in mill net returns produces or reflects the identical delivered prices which prevent the delivered cost being lower from one mill than from another. There is no significance in the fact that the delivered price to a customer near the mill may be lower than to a customer farther away. The difference in freight rates would account for that, and the basing point system is entitled to no credit. It is just as valid to say that the Corporation's argument places undue emphasis on the delivered price and unduly minimizes the importance and significance of sales made at more or less than the basing point prices.

The Corporation quotes from the N. R. A. report to the effect that if purchasers at non-basing points "are discriminated against arbitrarily by the system then the establishment of new basing points will be likely to remedy the case" (Exhibit 1418, p. 60). This is not true. Even though every producing point were made

a basing point, there would still be "freight absorption" and, consequently, variation or discrimination in the mill net returns whenever one basing point mill sells in territory at delivered prices controlled by the base price of another basing point mill. The Corporation states "The previously existing scale of delivered prices in the territory around the non-basing point mill can, and undoubtedly will, remain about the same even though the mill becomes a basing point" (Exhibit 1418, p. 61). If this be true, there would be no material reduction in the price level if all mills were made basing points.

As a part of its argument that variation in mill net returns is not discrimination in any sense of the word the Corporation states that "As between a customer nearby and a customer far away, there is no uniformity of conditions of purchase on which properly to base a charge of discrimination." (Ex. 1418, pp. 9, 10). Such a statement is based on a theory of discrimination which ignores the ruling of the Supreme Court to the effect that the discrimination forbidden by the Clayton Act was not limited to discrimination which lessens competition among purchasers but includes discrimination which lessens competition among sellers. (Van Camp & Sons Co. v. American Can Co., 278 U. S. 245). The systematic pattern of geographical discrimination in mill nets under the basing point system is the alter ego of identical delivered prices. The argument also takes no note of the fact that there are discriminations which do substantially affect the ability of purchasers to compete with each other. Illustrations of such conditions may be found in the inability of Pacific Coast fabricators to compete toward the East with Midwestern and Eastern fabricators who are given free access to the West Coast, and the arbitrarily lower price given to purchasers of certain products located in the State of Michigan. Purchasers of the same products located outside the state are in competition with Michigan purchasers, yet are charged higher prices.

Arguing in justification of the realization by a producer of lower mill net returns from his distant customers than from nearby ones, the Corporation states "This enables him to operate his mill at lower unit cost and then to sell to the nearby consumer for less than he otherwise could." (Ex. 1418, p. 100) It is equally true that the higher mill net returns from nearby customers enable him to operate at lower unit cost and to at least as great a degree as the lower nets from distant customers. The argument is analogous to the familiar one for dumping in foreign trade. The statement quoted is the equivalent of saying that by discriminating among customers the intent and effect is to realize a lower average price than otherwise.

The power to determine how much more some purchasers and how much less others shall contribute to the seller's treasury and the systematic employment of that power to make delivered prices of all sellers identical, would seem to be the essence of monopoly. It involves the power to decide how the total price burden shall be distributed among various purchasers and among the various sections of the country and consequently what sections shall be developed or retarded. By the same token it involves the power to decide how the total profit burden for the industry shall be distributed among purchasers and among sections. In the Pittsburgh Plus case it was shown that the margin between costs of production and selling prices on various products varied enormously as between Pittsburgh, Chicago, Duluth and Birmingham. On bars the margin at Pittsburgh was slightly over \$2.00 a ton as against about \$8.00 a ton at Duluth and Birmingham and nearly \$14.00 a ton at Chicago. If the Birmingham price differential were not applied and the price had been based on Pittsburgh, the margin at Birmingham would have been increased to over \$18.00 a ton. On structural shapes the margin at Pittsburgh was slightly over \$2.00 a ton as against about \$7.00 at Birmingham and over \$18.00 at Chicago. If the Birmingham differential were not applied and the price had been based on Pittsburgh the margin at Birmingham would have been increased to nearly \$18.00 a ton. On block sheets the margin at Pittsburgh was slightly over \$10.00 a ton compared to over \$25.00 a ton at Chicago. On plates the margin at Birmingham was about \$7.00 per ton as against nearly \$10.00 a ton at Pittsburgh and almost \$18.00 a ton at Chicago. If the Birmingham differential were not applied and the Birmingham prices were based on Pittsburgh, the margin would have been increased to nearly \$18.00 a ton. (F. T. C., Exhibit 6853 in Pittsburgh Plus case, D. 760)

The above facts emphasize the vital importance of a knowledge of costs of production in any attempt to determine (once the test of competition is discarded) whether prices are reasonable or whether the prices and profit burden is equitably distributed among purchasers and among sections.

THE STEEL INDUSTRY'S USE OF THE BASING POINT SYSTEM CONFORMS TO THE ECONOMIC SPECIFICATIONS OF MONOPOLY AND IS NOT CONSISTENT WITH THE ECONOMIC CONCEPTS OF A COMPETITIVE ECONOMY.

Bearing in mind the "tangible evidence" of its origin, its purpose, its collusive methods of implementation and its arbitrary characteristics and that all these elements unite to the single end of putting all competitive sellers on an exact equality of delivered prices to any given purchaser at any given destination, the Corporation's claim that objections to the basing point system are founded wholly on "abstract criteria" appears somewhat overdrawn. As a matter of fact the Corporation's defense of the system is almost entirely based on "abstract criteria" and not on "tangible evidence". Even in the realm of "abstract criteria" however, the assumptions and conclusions of the Corporation are economically and logically unsound.

In considering the Corporation's economic concept of price competition it should be remembered that it holds to the theory that for any competitor with a lower freight rate to any customer to give him any lower delivered price than others with a higher freight cost is "giving a lower price than competition forces him to give" and is "following some sort of a non-competitive principle, rather than a competitive one." (Ex. 1418, p. 62)

(a) *The Corporation's Claim That Identical Delivered Prices Result From the Perfect Competition of a Free Market.*

An attempt is made to discredit the economic theory of competition and at the same time to appropriate the benefit of that theory for the basing point system. First, the classical economic concept of theoretically perfect competition "in a market" is set up in order to show that the concept "is an abstraction and exists nowhere". (Ex. 1418, p. 21.) The quotation cited from Dr. Viner's testimony in the Cement case to support such contention does not support it. He testified that agricultural products are very nearly a fully competitive industry and that the only thing that prevented it being so was recent governmental regulation. The Corporation implies that present-day economists who use the theoretical concept of perfect competition are unaware that there are deviations from it in the world of practical affairs and in this respect are unlike the classical economists who formulated the concept. Present-day economists are no doubt fully aware that there have been increasing deviations from that concept in the world of practical affairs and it is to such deviations that their criticisms have been directed.

The Corporation appears to have no objection to the theoretical concept of "imperfect competition" as used by economists and states that it "covers the whole range of conditions between theoretical perfect competition and theoretical perfect monopoly." (Ex. 1418, p. 20.)

This is substantially the same as Dr. de Chazeau's description of "administered prices". Testifying before the Temporary National Economic Committee, he said that "Within the group of prices which are called administered prices you may have everything from a purely competitive situation to a very monopolistic situation." (Verbatim Record, T.N.E.C. Hearings, November 6, 1939, p. 182, 2nd column.)

Obviously, the crux of the problem is the nature and degree of imperfect competition that is embodied in the basing point system. In any event, no conceivable combination of competitors or monopoly could produce any greater identity of delivered prices than the basing point system does when it is adhered to.

After having concluded that perfect competition is "an abstraction and exists nowhere" (Ex. 1418, p. 21), the Corporation proceeds to claim that identical delivered prices are the result of perfect competition as conceived by the economists in a perfect market. Thus, it says—

"It is to be expected * * * that the identity of delivered prices which would result from perfect competition in a single market at any one time will take the form of identical delivered prices in the steel industry." (Exhibit 1418, p. 36.)

Again the Corporation says that it is quite erroneous to imply, as does the Federal Trade Commission, "That identity of prices at any given time is necessarily evidence of absence of competition." It then says:

"Quite the contrary is true. In any competitive market, the prices quoted by different producers at any given time for any staple product will naturally tend to be uniform." (Ex. 1418, p. 34.)

The Corporation goes on to assert that—

"Identical delivered price quotations would occur under any free competitive system to the extent that competitors' bids could be estimated, since buyers refuse

to pay more to one producer than to another for a staple product." (Ex. 1418, p. 35.)

This statement is made in support of the claim that "The basing point system is not per se the cause of identical bids." (Ibid.) Yet, in another place it is said that "Substantial identity of delivered prices results" from the absorption of freight to go into distant markets. (Ex. 1418, p. 36.) This ignores the systematic and reciprocal nature of so-called "freight absorption" and of "phantom freight" which the system requires. If these were not applied systematically and reciprocally, identical delivered prices could not result. Except on a systematic and reciprocal basis they could not take place at all without destroying the system itself. The economic concept of price uniformity in a free market never contemplated that no competitor would undersell his rivals.

Although as shown above, the Corporation twice claimed the benefit of the theory of perfect competition in a market to explain identical delivered prices, it also said in between the two quotations given that,

"Neither identical delivered prices nor delivered prices of any kind, accord with the theory of perfect competition because such theory assumed a freightless market in which neither seller nor buyer needed to be concerned with transportation costs." (Ex. 1418, p. 35.)

While prices in the classical market were freightless, the buyers and sellers were always concerned with transportation costs from the market to the place of use. The relative costs of transportation from various markets to the place of use was a matter of concern just as it would be now if buyers could buy steel f. o. b. mill. The Corporation says that critics claim that identical delivered prices prove the elimination of competition, "because under perfect competition such a thing would not often happen, i. e., the different transportation costs would usually cause different delivered prices." (Ex. 1418, p. 35). However, it does not dispute the result and, in fact, substantially admits the conclusion on the next page where it says that

"Under a f. o. b. mill system, the buyer would add freight to the mill price and buy from the source which permitted the lowest delivered costs." (Ex. 1418, p. 36.)

When the three last quoted statements are considered side by side they are equivalent to an admission that an f. o. b. mill method of pricing more nearly accords with the theory of perfect competition. Nor is it true as the Corporation says (Ex. 1418, p. 35) that criticisms of the basing point system assume that perfect competition and its complete absence or monopoly are the only alternatives. The basing point system is not the only obstacle to perfect competition and there should be no illusions about the attainability of the ideal. The practical question is whether existing restraints on competition are reasonable under existing law and the public policy embodied therein.

(b) *The Corporation's Distortion of Economic Theory as to the Nature and Location of Free Markets.*

The confusion which may be injected into a discussion of "abstract criteria" is illustrated by the Corporation's attempt to appropriate the benefit of classical economic theory as to the effect of competition on prices "in a market." In order to give some semblance of logic to this attempt it is necessary to postulate the market as being at destination. The classic theory of free markets originated before basing point systems were thought of. It did not deal with the hybrid of a price for goods at or in a market plus transportation costs from the market to various destinations.

The Corporation states that the attitude of the Federal Trade Commission toward the basing point system and its proposed substitute of f. o. b. mill prices "are obviously manifestations of a belief that the market for steel is, or should be, at the mill, and is not, or should not be, at the destination." (Ex. 1418, p. 38). The Federal Trade Commission has never taken the position that under the basing point system the market is at the mill. It has taken the position that the system, with its refusal to sell f. o. b. mill, its insistence on selling only at delivered prices and the resulting identity of delivered prices, is a device for closing not only the market at the mill but by eliminating price competition, closing the market everywhere in the sense that a market is defined by the economists. There is an important distinction between claiming that the market is at the mill when the mills refuse to sell f. o. b. mill and claiming that the market should be placed at the mill as a means of preventing identical delivered prices and the consequent elimination of price competition. Even under the delivered price system, however, there is an important question as to whether title does not actually pass to

the buyer at the mill and thus make the mill the market place for the transaction of purchase and sale. The importance of that question and the change in the industry's attitude toward it was shown in connection with the efforts of the industry to induce the railroads to assist the industry in preventing diversion in transit by the consignee. (See F. T. C. Report to President on Steel Sheet Piling, June 10, 1936, p. 24.)

In another place the Corporation refers to "the contention of the Federal Trade Commission that the true market for steel is at the mill, and that the basing point method, by providing a means for quoting delivered prices at each destination, has destroyed or injured the market and eliminated competition." (Ex. 1418, p. 40.) The above quotation is a more nearly accurate statement of the Commission's position.

The Corporation seems to imply some doubt as to its own position when it states, "If there is any true market for steel, it is at the buyers' doors." (Ex. 1418, p. 41.) In discussing the subject of cross hauling, however, the Corporation adopts some terminology which can hardly be reconciled with its contention that destination is the market in the sense used by economists. Dr. de Chazeau is credited with having coined the term "market interpenetration" as a preferable substitute for the term "cross hauling." (Ex. 1418, p. 5.) It is plain that a mill or producing market may penetrate various destinations or consuming markets and that one producing market may penetrate another. It would seem equally clear that destinations or consuming markets can not penetrate each other. The Corporation's adoption of such terminology is repugnant to the concept of a market at destination. The economist's concept of the steel market as stated by Dr. Wm. Z. Ripley in his testimony in the Pittsburgh Plus case was in part as follows:

"The market * * * is a place (and here I think I am in agreement with Dr. Fetter) where a commodity is sold, and this commodity we are considering here is steel. The market for steel is in Pittsburgh or Chicago or Johnstown or Bethlehem or Duluth or Birmingham, or what-not; but the market, as I see it, is not at the place where some steel and some freight and some wind have all three been hitched up together to form a kind of a combination—in other words, where an artificial freight rate, which never was paid on that product, is figured in on it, making up the delivered price. That does not seem to me like a market. I think entirely in terms of that market at Chicago, where we are dealing only with steel." (Transcript of Testimony, Pittsburgh Plus case, p. 18240)

In order to follow through with its contention that the market is at destination the Corporation makes certain inaccurate statements regarding payment of freight. It is asserted that when one producer meets the delivered price quoted by other producers nearer to a consumer's destination, "He must pay the freight necessary to transport the steel product to the consumer." (Ex. 1418, p. 99.) It also refers to the necessity of a producer selling a large part of its output in distant markets and of it "paying large amounts of freight to each such market." (Ex. 1418, p. 60.) In an overwhelming majority of cases and on an overwhelming proportion of the shipments, sellers of steel do not pay or prepay the freight. The buyer pays the freight to the railroad, deducts it from the face of the invoice which shows the delivered price and remits the balance to the seller. Under those conditions it is misleading for the Corporation to make the statements above quoted and to claim that "delivered costs are an important part of total costs." (Ex. 1418, p. 36.) They are not a part of the seller's costs at all.

(c) *The Corporation's Admission that Price Discrimination is not Consonant with Perfect Competition.*

The Corporation states that under conditions of perfect competition it is "impossible for sellers to get higher prices from some buyers than from others." (Ex. 1418, p. 20.) If this be true, then the possibility of getting higher prices from some buyers than from others becomes increasingly greater as competition becomes more imperfect and the greater the degree of monopolistic control the greater the possibility of getting higher prices from some buyers than from others. Since steel producers use the basing point system for systematically realizing higher prices from some buyers than from others, it corresponds more closely to the economic specifications of monopoly than of competition on the Corporation's own admission. The Corporation also admits that "variable mill net returns of the kind found under the basing point method do not represent the uniform market prices which would be expected if the assumptions of the theory of perfect competition were realized." (Ex. 1418, p. 79.) Yet, as previously shown, it inconsistently claims that "The identity of delivered prices which would result from perfect competition in a single market at any one time

will take the form of identical delivered prices in the steel industry." (Ex. 1418, p. 36.)

The Corporation says that the critics of identical delivered prices point out a discrepancy between that condition and the results to be expected under the theory of perfect competition "because the mill net returns of different producers quoting the same delivered price at one location are not the same." (Ex. 1418, p. 30.) This is not an accurate or adequate statement of the critics' position. Not only do the mill net returns or prices of *different* producers vary but those of the *same* producer vary and in both cases the variation is the exact amount required to make the delivered prices of all producers identical at given destinations. In this connection it may be observed that fabricators of steel, like steel producers, have frequently located themselves in the best raw material areas and that for producers to realize higher prices from their nearby fabricator-customers is not only to deprive them of their natural advantage of location but to penalize them for it. As the Federal Trade Commission said in its report to the President in November, 1934, for the seller to monopolize the advantages of location inherent in the natural resources of a section to the exclusion of the buyer is but little different from monopolizing the resources themselves.

The Corporation's statement that it is impossible for sellers to obtain higher prices from some buyers than from others under conditions of perfect competition has no logical place in its argument unless it means to admit there is such discrimination among buyers.

(d) *The Corporation's Contrast Between Physical Conditions in the Steel Industry and Concepts of Perfect Competition.*

Drawing one of several contrasts between the concept of perfect competition and the natural physical conditions in the steel industry, the Corporation says that the concept calls for many separately owned mills at each mill location and that mills be scattered all over the country near consuming markets, while the steel industry is characterized by a small number of producers with large-scale producing units and a small number of large buyers. (Ex. 1418, p. 80.) The Corporation presents a tabulation which shows that there are nine companies whose combined capacity represents 81.8% of the total annual capacity of the country. The tabulation does not disclose the number of companies which comprise the remaining 18.2 percent. (Ex. 1410, p. 18.) It is stated also that "The formation of a new integrated steel company, except by merger, would not be likely" because of the large capital investment, the technological and organizational difficulties and the difficulty of obtaining an immediate market. (Ex. 1410, p. 17.)

Given such facts it would seem all the more vital to preserve among the few large producers all the characteristics of price competition that are possible. Doubts should be resolved against any device or cooperative method that interferes with free competition among them. Otherwise, collusive price control will become almost automatic and absolute monopoly almost inevitable. It is not the fact, as the Corporation states, that the same general conditions are "true of all other Industries in our economy." (Ex. 1418, p. 81.) Even though it were true it throws no light upon the competitive or monopolistic status of the steel industry. It is a matter of common knowledge that some other industries use systems of price control similar to the basing point system in steel. To that extent it merely confirms the statement of the Federal Trade Commission to the Temporary National Economic Committee last March to the effect that the steel industry "is a focal center of a monopolistic infection which, if not eradicated, may well cause the death of free capitalistic industry in the United States." (Exhibit 358 Part 5 Printed Hearings before TNEC, p. 2200.)

In one place the Corporation states with reference to the theory of perfect competition that

"If such a theoretical state of competition prevailed, each producer would take all the business he could get so long as the price yielded more than the additional cost of producing the additional ton of steel so sold." (Ex. 1410, p. 3.)

In another place the Corporation states that under the actual conditions in the industry "in periods of restricted demand, knowing that anything above his 'additional' costs contributes something toward 'over-head' or 'fixed' costs which must be met in any event, the producer will cut prices below his average costs if he feels he can obtain additional business for his mills thereby." (Ex. 1410, p. 23.) The above two quotations cannot be reconciled with each other. If the statement last quoted be accepted as a statement of actual conditions then those conditions would correspond to those set up in the first quotation as characteriz-

ing a state of perfect competition. Yet it is claimed in a footnote on the same page that if the Corporation's subsidiaries sold "at a price only equal to the additional cost of additional units or production" this would create estimated losses of about \$182,000,000 a year, far beyond any actual showing of the industry.

The Corporation quotes Dr. de Chazeau as pointing out the "basic fallacy" in the reasoning of most critics of the basing point system as follows:

"Intelligent explanation of the pricing problem in the steel industry has suffered from a failure of most commentators to distinguish between the basing point system as a medium or mere mechanism for the translation of policy into action and the economic roots of that primary policy itself." (Ex. 1410, p. 25)

The same might be said of any price-fixing medium or mechanism and the economic roots of the desire to remove price competition. Even if the distinction stated were tenable, legal concepts permit taking hold of any system "as a medium or mere mechanism for the translation of policy into action" if that policy be one of destroying price competition.

(e) *The Corporation's Claim that the Price of and Demand for Steel are Unrelated.*

A remarkable effort is made to show that the steel industry is not subject to the generally accepted economic principle that the demand for an article varies inversely to its price. If this effort is soundly conceived and decreased demand does not reduce steel prices and increased demand does not tend to enhance them, then it would follow that some form of artificial price control is responsible for the price changes that do take place. The truth is that where artificial price control exists, it may or may not be powerful enough to resist the downward price pull of reduced demand but may yet be able to take advantage of the upward price tendency of increased demand.

The Corporation states that "The total quantity of steel bought from the industry would not be substantially different at any particular time if the price were higher or lower". It also refers to "the negligible influence of price on demand for steel" and states that "steel prices have little effect on national production or employment". (Exhibit 1410, Page 33). Again it is stated that the elasticity of demand for steel products unlike that in the theoretical perfect market "is extremely low, the demand for steel is very inelastic". (Exhibit 1418, Page 25). The Corporation qualifies its statement as to the negligible influence of price on demand for steel by stating that this does not imply that the industry "may charge any price its whim or fancy may dictate". (Exhibit 1410, Page 43).

The position above expressed is not consistent with the attitude of the Corporation in other connections. The telegram sent by the head of the Corporation regarding the price reductions of June, 1938, and which is in the record of the hearings before the Temporary National Economic Committee, said that the reductions were being made "to meet competitive conditions and with the hope that such reductions will stimulate a demand for steel products". (Verbatim Record, TNEC Hearing Nov. 6, 1939, p. 199) Vice-President Gregg testified that the Corporation did not want to increase its prices in 1937 to such an extent that it "would prove a shock to the gradually increasing volume of business" and thus reduce buying. (Ibid, Page 192). It appears also from Mr. Fairless' testimony and from records supplied by him that immediately following the reduction in base prices of June, 1938, ingot production increased every month for the remainder of the year except December and that the increase was from 587,000 tons in June to 1,224,000 tons in November. Mr. Fairless admitted that the price reductions of June were possibly a factor in this increased demand but "not to any great extent", "a very small extent", and finally that he "could not tell to what extent". (Ibid, Pages 200, 201). Mr. Fairless expressed the view that a reduction in an unreasonable price would stimulate demand but that a reduction in a reasonable price would not. (Ibid, Pages 199, 201). If Mr. Fairless is right, the conclusion seems plain either that the price up until June, 1938, was unreasonable or that there was no relation whatever between the price reductions and the doubling of demand during the following five months.

In Exhibit 1381 before the Temporary National Economic Committee it appears that the 1937 composite price is higher than in 1929, that in 1937 there was a sharp price increase, and that in 1938 prices were reduced to about the 1929 level. The Exhibit shows that coincident with that 1938 reduction, output showed a rapid increase, and that when prices increased in 1937 there soon followed a very marked reduction in output. (Ibid, Page 186).

In one of its pamphlets, the Corporation argues that assuming a 10% decrease in prices during 1938 and a subsequent 10% increase in sales, the deficit of the Corporation would have been enormously increased. (Exhibit 1410, Page 23)

It is not apparent why it should be necessary to assume a 10% increase in sales. The industry showed about a 65% increase in output during 1939 over 1938. If the Corporation obtained anything like its natural proportion of the total increase in output, its sales must have increased far more than 10% above 1938. After making the statements above referred to, the pamphlet refers next to "this overall price-volume-cost relationship in the industry". It is difficult to reconcile the above argument with the contention that price and demand are independent of each other.

By contrast with its contention that there is no relation between demand and price of steel in general, the Corporation nevertheless states that "the underlying conditions make for a high elasticity in the demand for the product of an individual producer". (Exhibit 1418, Page 25). It is also stated that manufacturers who buy steel for use as raw material consider that differences in prices paid by them are "an important consideration". (Exhibit 1418, Page 25, Footnote). It would seem impossible for an inelastic total demand to be built up out of a series of particular demands that are elastic.

Referring to the fact that steel prices are relatively stable and inflexible compared with the prices of agricultural products and other consumers' goods, the Corporation states that "this is a characteristic of durable goods industries, which results naturally from relatively inflexible costs, proportionately high overhead costs, inelasticity of demand, and other factors * * *". (Exhibit 1418, Page 45). Unless the competitive conditions in other durable goods industries are taken into account there is no validity in this argument. The characteristics named may be the result of systems of restricting price competition and not because they are durable goods industries. Proceeding to justify inflexibility and stability of price as ends in themselves, the Corporation expresses the views that most buyers of steel would not like "constantly fluctuating market prices, such as are characteristic of the prices of grain and other agricultural products". (Ibid, Page 45). The argument is that the uncertainties, instabilities and risks that are inherent in price competition should be removed. One may question how much price competition would remain if all its uncertainties and risks could be removed.

The Corporation states that the business cycle was ignored in the thinking of the classical economists and that "The business cycle, however, produces enormous fluctuations in demand, particularly for producers of durable goods, such as steel. These fluctuations are independent of price." (Exhibit 1418, Page 81). This assumes that price being independent of demand could not be the cause of fluctuations in demand. It assumes that the business cycle is inescapable and ignores the possibility that the collapse of demand which accompanies it may be the reflection of monopolistic price factors. There is as much or more reason to say that enormous fluctuations in demand produce the business cycle, not vice versa. The Corporation proceeds to state that the business cycle "has a profound effect upon the supposedly beneficial consequences of the classical theory of 'perfect competition'." It says further that it has been assumed that perfect competition along classical lines would produce "wholly beneficial effects for society if it could ever be established". It then says:

"No one, however, has ever contemplated that these effects would follow from 'perfect competition' in an economy affected by a pronounced business cycle. In the absence of such a demonstration, it is impossible to make any correct assumption that deviations from the theory of 'perfect competition' are damaging to social welfare. On the contrary, it is quite possible that these deviations, by interrupting or checking some of the more abrupt changes in the course of the business cycle, perform a valuable social and economic function". (Exhibit 1418, Page 82).

Applied to the basing point system, the above quoted language is an undisguised argument for monopolistic control and would seem to justify still further deviation from the concept of perfect competition.

As to whether monopolistic restraints upon competition are unconnected with the business cycle, consideration should be given to the joint statement of one hundred twenty-seven economists in 1932. They stated:

"The most competent economic opinion, as well in Europe as in this country, can be cited in support of the view that a strong contributing cause of the unparalleled severity of the present depression was the greatly increased extent of monopolistic control of commodity prices which stimulated financial speculation in the security markets. There is growing doubt whether the capitalistic system, whose basic assumption is free markets and a free price system, can continue to work with an ever widening range of prices fixed and manipulated by monopolies." (F. T. C.'s Report to the President, November 1934, Page 39).

In discussing fluctuations of demand in the business cycle, the Corporation states that classical economic theory assumes a steady and predictable rate of demand and ignores cyclical fluctuations. (Exhibit 1418, Page 26). This charge that classical economic theory ignores variations in demand as a factor in price is not well founded, but the counter charge might be made that the Corporation's discussion ignores price as an element in demand. It assumes that an unstable demand requires a stable price and that the price should stand even when the demand falls. The basic question here is whether maintenance of prices in the face of falling demand causes, accentuates or prolongs the violent or cyclical fluctuations in demand.

(f) *The Corporation's Claim That Prices and Profits are Reasonable.*

The Corporation shifts from a discussion of the basing point system to a discussion of the reasonableness of prices and profits in the industry. It takes the position that prices and profits are reasonable and that this demonstrates the absence of monopolistic control. To this it may be said that it is idle to discuss the reasonableness of results when the more fundamental issue is the legal and economic right to accomplish those results. Moreover, the presence or absence of monopolistic control cannot be demonstrated by the criteria of prices and profits.

The Corporation states that the Federal Trade Commission contends that "the price level is so high as to threaten the survival of the capitalistic system" and that "the steel industry earns unreasonable or monopolistic profits". (Exhibit 1418, Page 42). The Commission has not contended that the survival of the capitalistic system is threatened by any particular price level per se. It has pointed out that it is threatened by the destruction of price competition and by inevitable social control once it is recognized that price competition has been destroyed and that a permanent monopolistic condition has developed. That position was expressed in part of the quotation from the Commission's report which the Corporation cites: "The steel industry is a focal center of monopolistic infection which if not eradicated may well cause the death of free capitalistic industry in the United States." (Exhibit 1418, Page 42). The Commission has not contended that the industry as a whole has made unreasonable or monopoly profits during the depression years. That question could not be answered without taking into account the extent to which the industry is permeated with inflated capitalization and inflated capital costs.

In its report to the Senate on the basing point system in the steel industry and again in its report to the President on steel sheet piling, the Federal Trade Commission said:

"The price structure of an industry is a very different thing from its price level and might be seriously deserving of criticism even if the price level on the whole were little, if any, open to criticism * * *. On the whole, probably a proper price structure is of far more importance to the public than is merely a low price level. * * *. It has been a general principle of our law and of economics, that if competitive forces were allowed to act within a proper price structure, a reasonable-price level would take care of itself." (F. T. C. Report on Steel Sheet Piling, p. 28)

Such a position regarding the reasonableness of price is in close accord with that set forth by the Supreme Court in the case of *U. S. v. Trenton Potteries Co., et al.* (272 U. S. 392). The Court held that agreements which created the potential power to fix prices might well be held to be unreasonable or unlawful restraints "without the necessity of minute inquiry whether a particular price is reasonable or unreasonable as fixed and without placing on the government in enforcing the Sherman Law the burden of ascertaining from day to day whether it has become unreasonable through the mere variation of economic conditions". The Court went on to say that the question whether prices were reasonable is too uncertain a test and an answer "can be satisfactorily made only after a complete survey of our entire economic organization and a choice between rival philosophies".

In its report to the President on steel sheet piling in June, 1936, the Federal Trade Commission pointed out a number of reasons which make it impracticable to determine whether prices and profits are reasonable, once the test of competition is discarded. It pointed out the necessity of cost information in appraising the reasonableness of price, the refusal of the industry to produce its costs, the wide variation in mill net returns or actual realized prices which steel producers are habitually accepting, the relation of excess capacity and reduced output to cost, and the wide variation in earnings among members of the industry at a given price level. It stated that the acknowledged price leader of the industry is not the

producer best fitted to produce and sell steel at the lowest price consistent with a reasonable return on capitalization, that the Corporation established a capitalization at the time of its formation which was more than twice the fair market value of its securities, and had paid dividends on such a capitalization during many years. (F. T. C. Report to President on Steel Sheet Piling, June 10, 1936, pp. 32-33.)

The Corporation admits that its capitalization was heavily inflated at the time of formation and says:

"When the Corporation was formed, various growing businesses were acquired at prices in excess of the value of their tangible property, resulting in intangible assets of about \$750,000,000 (as later determined by the U. S. Bureau of Corporations) representing the good will or earning power of these businesses. While originally of real value, it has been deemed prudent to write down from time to time the value of all such intangible items, good will now being valued at \$1.00." (Exhibit 1409, Section A).

The amount named was about 50% in excess of the entire common stock of the Corporation down to 1927, when a stock dividend brought the total common stock up to some \$711,000,000. Dividends were paid on common stock every year except two from 1901 to 1931, inclusive, and also in one year since 1931. The rate of earnings on the "combined investment of stockholders and bond holders" for the entire period from 1902 to 1930, inclusive, was 6.33%. Despite the 40% common stock dividend of 1927, the rate of earnings increased from 4.90 in 1927 to 6.01% in 1928 and 9.85% in 1929. (Exhibit 1409, Section A).

The Bureau of Corporations commented upon the Corporation's original capitalization as follows:

"When such values are capitalized into dividend or interest-bearing securities, they involve important public problems. They are merely another name for price policy, and the whole public is ultimately concerned in steel prices." (F. T. C. Report to President on Steel Sheet Piling, June 1936, p. 34)

As the Federal Trade Commission said in its report to the President in June, 1936:

"The ability of the Corporation to pay dividends on such a capitalization during many years certainly has some bearing upon the question whether prices have been fair and reasonable. In this connection, it may be observed that over capitalization can hardly continue to exist under genuinely competitive conditions." (Ibid, p. 34)

The Corporation quotes from an economic study of the industry by "qualified commentators" to the effect that the steel industry showed a relatively low return on capitalization compared to other industries. The Corporation quotes from this report in part as follows:

"Explanation of the persistent and relatively low rate of earnings in the steel industry is not easily formulated. It is, of course, possible that the steel group has placed a higher valuation on its assets than have corporations in other industries, but the validity of such a surmise cannot be demonstrated." (Exhibit 1418, p. 43).

In any study of the reasonableness of prices and profits, a vital point is whether the study is based on and proceeds from the standpoint of the industry as a whole or from the standpoint of different members of the industry. In a competitive industry even under highly prosperous general conditions there are always marginal units whose profits are not adequate because of higher costs than their more efficient rivals. Likewise, there are always some which show adequate or more than adequate profits. Yet they all operate upon an approximately similar level of prices. Under a competitive regime, it is to be expected that what is a fair and reasonable price for one producer may be wholly inadequate for another. A fair and reasonable price for the marginal concern is bound to be excessive for the more efficient, low-cost producer. To average the profit showing of a competitive industry in order to ascertain the reasonableness of the price level is to discard the fact that the industry is composed of competitive units and to treat it as though it were an entity entitled to a return on its entire property. Then there is the question of rate of operation, one of the most powerful factors affecting cost. Competitive theory requires that the efficient low-cost concern shall be allowed and encouraged to operate at a substantially higher rate of production than its less efficient, higher-cost competitors and at a higher rate than the industry average. If it does not do so, this indicates that competition has been displaced by some kind of cooperative policy.

All these phases of the question of reasonableness of prices and profits are illustrated by the testimony of Ernest T. Weir, President of the American Iron

and Steel Institute and head of the National Steel Corp. Mr. Weir testified that he would want base prices established at a level that would cover the costs of every individual company, that none "of the standard companies are justified in selling the product below cost, on the average" and that every company should sell on a basis which would yield it cost plus a reasonable profit. (Verbatim Record, TNEC Hearings, Nov. 10, 1939, p. 309). He testified further that his company did not base its price or volume upon its own costs but upon a kind of live and let live policy and in consideration for the welfare of the industry as a whole. (Ibid, p. 310). He further testified that his company did not use its lower average cost and better average location "to go out and operate, we will say, full, when the balance of the industry can't meet those costs and operates at 30% or 40%. We try to take that in additional profit". (Ibid, p. 302). Yet during the ten years ending in 1936, including the worst years of the depression, the National Steel Corporation earned about 6¼%, while the industry earned on the average 2.9%. (Ibid, pp. 302, 303). Mr. Weir also testified that in the nine years ending in 1938, the industry as a whole showed a loss of \$80,000,000 on the common stockholders' investment of \$2,000,000,000 and that a 35% rate of operation should be the break-even point in the industry. (Ibid, p. 300). Mr. Fairless, President of the Corporation, testified that the rate of operation in 1938 "should have at least reflected a break-even point" but that losses had occurred because prices were too low. The rate of operation for the entire industry in 1938 was about 39%. (Exhibit 1409, Section D). In a public address, however, delivered by Mr. Weir in October, 1939, he had stated that price could not be the subject of cooperation among competitors and in that connection said:

"A price policy is one that must be established by each individual company in accordance with cost and other factors peculiar to that company." (Verbatim Record, TNEC Hearings, Nov. 10, 1939, p. 299).

He also stated in this address that:

"You must charge a price, under any given condition, which covers all of your costs—including the cost of carrying unused capacity—and returns a reasonable profit." (Ibid, p. 298).

A position similar to that of Mr. Weir was taken by Mr. Eugene Grace of the Bethlehem Corporation. In a letter written to Mr. Grace in May, 1938, a small business man engaged in the steel industry urged price reduction as a means of industrial recovery, reciting that the Bethlehem Company working at only 32% of capacity had shown a profit of over \$900,000 for the first quarter of the year. In reply Mr. Grace said the operating rate was somewhat higher than 32% and, concerning the suggestion of reduced prices, said among other things: "the opportunities for stimulating business through price reduction should be looked at from the point of view of the steel industry as a whole rather than the case of a single company." (Ibid, Nov. 9, p. 279).

Another angle from which to consider the reasonableness of prices is that of differentials between various basing point prices on the same products. For many years, down until June, 1938, the base prices at Birmingham and Chicago exceeded those at Pittsburgh by several dollars per ton, notwithstanding the fact as shown in the Pittsburgh Plus case, that the cost of production at Birmingham and Chicago substantially was less than that at Pittsburgh. In stressing the importance of raw material assembly costs as a factor in the location of mills, the Corporation presents a table of estimated assembly costs in the production of pig iron. The range of variation shown is \$1.28 per ton, and no showing is made for Birmingham or Sparrow's Point. (Exhibit 1410, p. 11). Nevertheless, it is stated that assembly costs at Birmingham are undoubtedly the lowest in the country and that at Sparrow's Point, iron ore costs are less than at Lake Erie and Pittsburgh, although this is partially offset by higher assembly costs for coal and limestone. (Exhibit 1410, p. 13).

Quoting from the N. R. A. Report, the argument is made that strong nonbasing point mills upon becoming basing points "are likely to be able to afford the luxury of putting their nearby customers on a more favorable basis by quoting basing point prices more nearly comparable with those in force at other basing points". (Exhibit 1418, p. 60). The ability to afford this "luxury" did not prevent the addition of substantial price differentials when Chicago and Birmingham were made basing points. It did not prevent the establishment of a \$2.00 differential on sheets at Detroit and of \$3.00 at Monroe, Michigan. (Exhibit 1418, p. 89, Footnote). The \$2.00 differential at Detroit is effective at the mill location of the National Steel Corporation, whose profit showing, as previously described, is one of the most favorable in the industry. Moreover, the pig iron assembly costs at Detroit are 77¢ per ton less than at Chicago. (Exhibit 1410, p. 11).

Shifting from its previous argument that strong mills were able to afford the luxury of lower prices upon becoming basing points, the Corporation says in explanation of price differentials over Pittsburgh that "new mills needed higher prices in order to cover their higher costs and to provide capital funds for expanding their facilities". (Exhibit 1418, pp. 57 and 58). As previously shown, the costs at Gary and Birmingham were substantially lower than Pittsburgh, while the base prices were substantially higher.

The issue of reasonable prices and profits having been raised, it cannot be adequately analyzed without considering whether there is a fair and reasonable distribution of the price and profit load among various sections of the country, among various classes of consumers, and among individual consumers. In this same connection, the fact should be considered that base prices at Pacific Coast ports on some products are the equivalent or more than the equivalent of base prices in the East, plus transportation costs to the Pacific Coast, plus unloading and dock charges there, although some of the products so priced are produced at mills on the Pacific Coast.

The Corporation's argument that prices and profits disprove the existence of monopolistic control in the steel industry should be considered in the light of a quotation it makes from the N. R. A. Report. After reviewing the trend of steel prices over a period of years, the N. R. A. Report said:

"All these examinations of evidence are instructive but fall short of proving a conclusive case for or against the existence of monopolistic control." (Exhibit 1418, p. 43).

The Corporation nevertheless continues the quotation from the N. R. A. Report to the effect that:

"There are not only no monopoly profits at the present time, but no sustained profits of a clearly monopolistic character during the more recent years of prosperity." (Ibid)

Supplementing the above argument, the Corporation cites an economic writer to the effect that "evidence of imperfect functioning of competition" in any industry may be found in any one or a combination of three elements, the existence of excessive profits, excessive productive capacity or excessive selling costs. The argument proceeds on the assumption that those three elements are "criteria of the lack of competition". (Exhibit 1410, pp. 27 and 28). The three elements named are not even proposed as proving anything more than an "imperfect functioning of competition" which, as the Corporation states elsewhere, "covers the whole range of conditions between theoretical perfect competition and perfect theoretical monopoly, neither of which actually occurs in the business world". (Exhibit 1418, p. 20). The basic assumption of the argument is that the only cause of excessive profits, excessive producing capacity and excessive selling costs is monopolistic interference and that certain supposed monopolistic results must be shown before monopoly can exist. Radically different results will be obtained depending on whether the three elements named are considered collectively for an entire industry or for the various members of the industry separately. In comparing the earnings of the steel industry with those of other industries, the Corporation based the comparison upon the ratio of earnings to net assets. (Exhibit 1410, p. 28). This entire basis of comparison is upon the unchecked claims of various industries as to the value of their net assets which opens the door to any inflation of those assets which may be present either in capitalization or in costs. The table of comparative distribution costs has no validity as a comparison of the distribution costs of steel producers unless it is known what types of concerns are included in the classification of iron and steel and for other products. (Exhibit 1410, p. 29). The argument is also made that "prices cannot be out of line with total costs over any considerable period" because substantial fixed costs must be met regardless of the amount of steel produced. (Exhibit 1410, p. 34). This argument ignores any distinction between the varying costs of different producers and urges that the total fixed costs of the industry must be met without regard to whether those costs are the reflection of inflated capital assets or whether that inflation is in turn the reflection of monopolistic practices. Despite the above-described fallacies in the argument, the Corporation reached the conclusion that since excessive profits, excessive capacity and excessive distribution costs do not exist in the steel industry "it is sufficiently competitive to be free of the alleged evils of lack of competition". (Exhibit 1410, p. 31).

THE CORPORATION DEFENDS CERTAIN UNECONOMIC RESULTS OF THE BASING POINT SYSTEM ON THE PRINCIPLE OF VESTED INTERESTS

Apparently great reliance is placed upon the argument that whatever the legal and economic status of the basing point system may be the steel industry and those dependent on it have so adjusted themselves to the system that to disturb it would cause substantial economic dislocation and disruption. In the last analysis this is the familiar vested interest theory. To accept its validity is to recognize vested rights in the continuance of social wrongs and vital economic maladjustments. It is to paralyze the arm of government in correcting those conditions. It suggests the unwelcome thought that private monopoly may be more powerful than government. It leads directly to the inference that such wrongs cannot or should not be righted within the framework of the capitalistic system of free enterprise.

In pursuance of this line of argument the Corporation states that bankruptcy and permanent retirement from business and "the causes thereof were not contemplated in the theory of perfect competition". (Exh. 1418, p. 27). In the interest of the capitalistic system that statement can and should be challenged. It is the essence of the vested interest argument. It is wholly untenable on broad principles of economics and public policy. It draws any persuasiveness it may have from the degree to which competition may have already lost its vitality as an economic disideratum. Unless competitive forces do bring bankruptcy and retirement to concerns whose costs and overhead are higher than those whose output and services are sufficient to supply society's needs, an ever ascending spiral of costs and prices is invited, to the point where a cyclical collapse of the whole economy takes place with all its terrific repercussions. The capitalistic system cannot function normally without risk of bankruptcy and retirement for some of those who engage in business in the hope of profit. And unless it so functions as a normal incident, cyclical depressions may destroy its ability to function sufficiently to meet the simplest basic needs of the people.

(a) *The Corporation's Defense of Excess Capacity.*

The Corporation takes several mutually inconsistent positions with regard to this subject: first, that excess capacity does not exist; second, that if it exists, there is no way of measuring the amount of it; third, that there is no feasible way of eliminating it; and fourth, that it has certain economic advantages which justify its preservation.

A great deal of space is devoted to a description of alleged ambiguities and uncertainties in the position of the Federal Trade Commission regarding excess capacity. The Corporation admits, however, that the Commission's position is not so ambiguous and uncertain when it states later that "the criticism of the Federal Trade Commission may, however, be taken to mean that the basing point method maintains prices at higher than competitive levels, thus attracting too many producers and causing the installation of excess capacity". (Ex. 1418, p. 53). That is a fairly accurate statement of the Commission's position, which is that long-continued suppression of price competition inevitably tends to encourage the building of unnecessary plants. The Corporation itself does not challenge the soundness of this position and it is supported both by theory and experience. Of course, the Corporation does challenge the contention that competition is suppressed by the basing point practice.

Contending that excess capacity does not exist, the Corporation states:

"The capacity of the industry, including reserve capacity, is not more than sufficient to supply the needs of the country during periods of high demand, such as 1929, 1937 and the present time." (Ex. 1418, p. 99).

Again it states that the total capacity of the industry "includes reserve capacity barely sufficient to supply peak demands." (Ex. 1418, p. 45). These statements are refuted by the figures of capacity and production submitted by the Corporation in Exhibit 1409. The total ingot capacity for the year 1929 was some 63,000,000 tons, as against a total ingot production of some 56,000,000 tons, an excess of about 12½%. In 1937, the total ingot capacity was some 69,000,000 tons, as against a total ingot production of about 50,000,000 tons, an excess of 38%. Figures for 1939 are not yet available but despite the heavy production in the latter part of the year, it is quite improbable that the total production for the year approached anything like the total capacity.

The capacity and production figures in Exhibit 1409 include each year between 1901 and 1938. In only one of those years did the total production of the industry exceed 90% of the total capacity. That was in 1916 when war demand temporarily taxed the productive facilities. In 24 years out of the thirty-eight shown, the total

production was less than 75% of total capacity. In 10 years it was less than 60%. In 8 years it was less than 50%, and in 6 years it was less than 40%. The average percentage of production to capacity by decades is as follows:

1901-1910	68.26%
1910-1920	77.65%
1920-1930	70.54%
1930-1939	44.55%

An outstanding fact of these figures is that excess capacity in the steel industry is not the result of the depression which began in 1929. It has characterized the industry since the Corporation was formed about the beginning of the century.

A more exact method of determining whether excess capacity exists is to consider the facts regarding particular products. For example, the Corporation states that the recent introduction of continuous hot strip mills and the continuous cold reduction process has caused a major technological revolution. (Ex. 1410, p. 17). This revolution has taken place within less than ten years, and the result has been to make the output of hand mills largely unnecessary. These new processes affect primarily the manufacture of sheets, strip, and tin plate, and it is probable that the greatest excess capacity is in those products. The American Iron & Steel Institute figures for 1938 show that less than one third of the 52 companies producing hot rolled sheets and hot rolled strip had a combined capacity more than twice the total production and that the 52 companies had a combined capacity about two and one half times the total amount produced.

Arguing that there is no way to measure excess capacity, the Corporation states: "When idle capacity exists, however, there is no way of telling how much, if any, thereof constitutes excess capacity." (Ex. 1418, p. 96.)

The opinion of Dr. Thorp of the Department of Commerce is cited to the effect that it is impossible to formulate any test of excess capacity. (Ex. 1418, p. 51.) In the same connection, it is stated that "the criticism of the Federal Trade Commission infers that steel capacity has been accurately measured against a correct standard and has been found to be excessive." (Ex. 1418, p. 51.) The Commission has never undertaken to measure the degree or extent of excess capacity. Competition is the only proper method of determining how much reserve capacity is needed. If competition is not allowed to determine it, it is then left to the determination of individuals who have a common interest in preventing excess capacity from breaking down the price structure which brought excess capacity into being.

It is not necessary to know exactly how much excess capacity exists before taking steps to eliminate it, when price competition would automatically eliminate it. If the Corporation is correct in stating that there is no way of telling how much of the idle capacity constitutes excess capacity, it would follow that there is likewise no way of telling how much of the idle capacity constitutes proper reserve capacity. If it is right in quoting Dr. Thorp to the effect that there is no feasible test or standard for measuring excess capacity, then it follows that the Corporation has an uncertain ground for its contention that excess capacity does not exist.

It is also argued that the merits of the criticism of excess capacity cannot be accurately appraised without comparing the actualities of production and plant location with potentialities of production and plant location under a wholly different pricing system which has not existed. (Ex. 1418, p. 47). Later on, in connection with its attack upon an f. o. b. mill method of pricing, the Corporation does not hesitate to compare an actuality with a hypothetical situation. As a matter of fact, since two systems could not be in effect at the same time and place, even a comparison between two actualities might be invalidated by differences in time and circumstance.

Arguing that there is no feasible method of eliminating excess capacity, the Corporation refers to outmoded machinery and mills which have not been operated for some time and implies that the Federal Trade Commission would contend that such property "should have been scrapped immediately, their capacities deducted from total capacity figures, and their value written off from the assets of their corporate owners". (Ex. 1418, p. 44). It goes on to state, with reference to scrapping of mills with decreasing demand in a downward phase of the business cycle—

"It is not entirely clear whether the implication is that this should occur as a voluntary policy of scrapping mills in order of age, or degree of obsolescence, or that it should occur as a natural, economic result." (Ex. 1418, p. 44).

It should be entirely clear that the scrapping of mills and machinery representing excess capacity should occur as a natural, economic result of competitive conditions. It is not to be implied that the owners of such properties should

scrap and write them off voluntarily. There is a clear distinction between voluntary scrapping and writing off of such properties and involuntary action forced by pressure of competition.

Arguing further the impracticability of eliminating excess capacity, the Corporation states that mills would not necessarily be eliminated in order of their degree of obsolescence but that comparative financial strength would influence the outcome and "play a decisive part in determining which mills were eliminated". (Ex. 1418, pp. 45 and 88). Since disparity in financial strength has always been a factor in determining the outcome of price competition, this is really an argument that the theory of price competition is not sound. However defective the theory may be in the respect pointed out, the question persists as to whether there is any equally satisfactory substitute. The Corporation argues that an integrated producer making a wide range of products might find that a low price on some of his products could be recouped by high prices on others, and he would thereby be enabled to drive out of business a nearby producer making only a limited range of products. This line of argument is suggestive of a threat to use the power of integration and superior financial strength to drive out competition.

In its argument that excess capacity has certain advantages from a public standpoint which would be destroyed if excess capacity were eliminated, the Corporation states that any substantial reduction in capacity would probably leave less than is required for peak demand with the result of rapidly rising prices in the upper course of the business cycle. (Ex. 1418, p. 97). Again, it is urged that if excess capacity be eliminated there would be a tendency "in the direction of the skyrocketing of prices in periods of rising demand". (Ex. 1418, p. 45). This ignores the fact that there have been very rapid increases in price at times in the face of existing excess capacity. For example, the base price of heavy structural shapes at Pittsburgh increased from 1.50¢ per pound in February, 1932 to 1.60¢ in April, 1932, where it remained until September, 1933, when it increased to 1.70¢, jumped to 1.85¢ in May, 1934, dropped to 1.80¢ in August, 1934, where it remained until July, 1936, when it advanced to 1.90, to 2.05 in January, 1937, 2.21 in March, 1937, and 2.25 in April, 1937, where it remained until June, 1938. The base price of cold rolled sheets at Pittsburgh was 2.95¢ per pound in June, 1936, advanced to 3.05 in July, to 3.25 in December, to 3.49 in March, 1937, and to 3.55 in April, 1937. (Ex. 1409, Section C). Other illustrations of the same sort might be given. Even though it were a fact that excess capacity tends to prevent rapid upsweep in price during boom periods, the question would still remain whether it is cheaper to pay higher prices because of a temporary shortage of productive facilities until they are enlarged sufficiently to overtake demand, or to pay for maintaining the excess capacity during all the periods when demand is low. That question, of course, cannot be answered on any mathematical basis as Dr. Thorp clearly indicates.

In connection with a discussion of costs, the Corporation implies that it is good public policy to subsidize producers whose output is not necessary to meet the existing demand. The question thereupon arises as to who shall determine how much excess capacity should be subsidized. If competitive forces are not allowed to determine that question, it is evident that the resulting tendency is to inflate capital costs, overhead and capitalization. If there are excess capacity and inflated capital costs resulting therefrom in any industry, what corrective is there in any free economy other than competition?

The Corporation quotes from Dr. Thorp to the effect that there is a degree of excess capacity "which is probably taken into practical financial account through charges for depreciation and obsolescence, and through various other forms of liquidation of capital". (Ex. 1418, p. 51). Such charges and such liquidation of excess capacity, of course, are an effort to evade the physical scrapping of excess facilities and to include them in costs just as though they were actively employed.

In an editorial entitled "Excess Capacity is Burden to Steel", the trade magazine *Steel* produced figures to show that the average ratio of ingot production to capacity for the period 1926-1937, inclusive, was 59.55%, and that this 60% of capacity earned in the same period 3.49% on the capital invested in the entire capacity, after absorbing depreciation and overhead on the idle 40%. It stated that these facts suggest that steel, "instead of being a \$4,281,264,890 industry, actually would be capitalized at considerably less if much excess capacity whose future usefulness is problematical, were scrapped." It also stated that the facts suggested that the industry, "always plagued with obsolescence, is slower than it might be in charging off depreciation." (*Steel*, July 18, 1938, p. 39.)

(b) *The Corporation's Defense of Existing Mill Locations.*

The Corporation states that "The location of production facilities has been due to the fundamental economic traits of the steel industry which have already been set forth, rather than to any pricing system." (Exh. 1418, p. 49). Again it states that the present location of mills "cannot be attributed to any pricing method." (Ibid p. 50). If this is true then the ending of the basing point method of pricing would not cause dislocation and disruption of mill locations.

The above quoted claims are contradicted however by the Corporation's own statements in another place. For example, it says that in many respects the Pittsburgh Plus method of pricing had a natural tendency to encourage the location of mills elsewhere than at Pittsburgh in order to increase their mill net returns by adding the freight from Pittsburgh to their mill locations. It also says that similar motives underlay the establishment of price differentials over Pittsburgh at other basing points and that "Mills at Pittsburgh enjoyed a Nationwide market with normally even mill net returns." (Exh. 1418, p. 46, 47).

The fact that the basing point system has had some bearing upon mill locations is confirmed by testimony before the Senate Committee on interstate commerce in March, 1936. The President of the Laclede Steel Company of St. Louis testified that its plant had been located in St. Louis because of the prospect of making money "by selling for more than it cost, on account of the protection we got, on account of the Pittsburgh Plus in existence at that particular time." The President of the Thompson Wire Company of Boston, Massachusetts testified that his company was "typical of many others who have been enabled by the basing point method to enter the steel business in the past decade and maintain their position with fair success." (Printed record of hearings on S. 4055, pp. 123, 146.)

Such testimony from non-basing point mills is to be considered with the Corporation's statement elsewhere that "the possibility of a non-basing point mill realizing mill net returns higher than those obtained by competitive mills at basing points, is not due to the absence of a basing point, but to a geographical advantage." (Ex. 1418, p. 61.) The truth is that every mill probably has some geographical advantage, no matter what the pricing system is, but from a price standpoint is protected in it to the full under the basing point system.

The Corporation, however, does not merely take a partially inconsistent position. It completely reverses its position that the present location of mills "cannot be attributed to any pricing method." It does this by arguing that practically all the mills were located where they are because of the basing point system of pricing and that the natural advantages of their location are not sufficient to justify their continuing at those locations without the aid of the basing point system. Thus it says, referring to the producer's problem of finding a price F. O. B. mill that will cover his total costs and also provide a large enough sales area to keep his mill operating at an economical rate:

"If any mill's costs and geographical relation to its customers should be such as to permit a satisfactory solution of this problem, it would be an exceptional case." (Exh. 1418, p. 84.)

The Corporation states:

"The Federal Trade Commission's theory seems to be that steel mills should be located near the markets for steel products—in effect that they should be scattered over the country wherever there is a market regardless of other consideration." (Exh. 1418, p. 50.)

This is not a correct statement. It corresponds more nearly to what was done by some non-basing point mills which established themselves away from Pittsburgh and in the vicinity of large consuming markets in order to take advantage of the "phantom freight" from Pittsburgh to their nearby customers. There is no way of determining which mills are properly located without the competitive test of consumer preference on a price, quality, and service basis as between the mills at various locations. Mills should not have been located on the assumption that phantom freight could be collected indefinitely or that the basing point system would continue and that price competition need not be expected.

Referring to any further scattering of mills into various consuming territories, the Corporation argues that "If they were located outside the Northeastern United States they would be farther from raw materials than the corresponding capacity is today, and their assembly costs would be higher." (Exh. 1418, p. 95.) This statement overlooks the fact that there has been a great development of the steel industry in the Middlewest and that production costs there have been lower than in the Pittsburgh District. The statement gives no consideration to the feasibility of using iron ore near its place of production in the Middlewest, especially with fuel being available in the form of oil and natural gas. Unless all mills are equally

well located which of course is ipconceivable, it follows that some of them are disadvantageously located from a competitive standpoint. The entire argument of the Corporation is devoted to a defense of the status quo of mill locations in the entire industry.

(c) *The Corporation's Use of Overhead and Capital Costs to Justify the Basing Point System.*

By contrast with the dearth of detail regarding unit costs of production, the corporation gives much space and emphasis to the importance of overhead and capital costs in the steel industry. The argument is obviously addressed to a rationalization of overhead and capital costs. There is no showing, however, of the proportion that these two kinds of costs have to each other or to total costs. Data from which the reasonableness of costs may be tested are not presented for examination.

It is asserted that "large scale integrated operations produce steel at a lower cost per ton than small ones." (Ex. 1418, p. 23.) No unit costs are presented in support of this assertion. Moreover, no light is thrown on the crucial question whether the overhead and capital costs of some large scale integrated companies may not so far exceed those of smaller concerns as to make the former's total costs per ton exceed the total costs of the latter.

The argument then proceeds with the above unsupported assertion as a premise. It is urged that since large integrated operations produce low costs such operations must have a wide area of distribution in order to maintain those low costs, and that consideration must be had for the price policy of other competitors and its effect on the steel markets of the entire country. (Ex. 1418, p. 24.) The suggestion implied in this argument is that the identical delivered prices of the basing point system are somehow necessary to maintain the low costs of production of large scale integrated companies. The simple truth is ignored that low costs make possible low mill prices and that low mill prices would provide a wide area of distribution. The question may be raised as to what benefit the consumer gets from low cost and wide distribution accompanied by the loss of price competition and attained at such a sacrifice. Again the point may be stressed that there is no assurance that low unit cost of production may not be offset, or more than offset, by high overhead and capital costs.

Without providing any means for measuring such costs on a unit basis, the Corporation stresses their importance. Thus, it says that "a large proportion of the costs in the steel industry are overhead costs, which must be met, no matter how much or how little steel is produced," (Ex. 1418, p. 27) and that "the cost structure in the industry is marked by substantial fixed costs which must be met regardless of the amount of steel produced." (Ex. 1410, p. 1) It is also stated that the two most important factors in cost are, in order of importance, raw material assembly costs and capital investment required per ton of steel. (Ex. 1418, p. 96) Since the first of these factors involves the second, the second will also be a partial reflection of the first.

It is also stated that "the capital investment per ton of steel is high and the annual turnover is relatively low, compared with many other industries." (Ex. 1418, p. 95) In its argument that ending of the basing point system would involve dislocation and relocation of industry, the corporation says that "scattered mills mean a much higher per ton investment cost than under existing conditions, and would present a serious economic danger to the industry in periods of low demand." (Ex. 1418, p. 96) The nature of this danger is not stated, but it may be surmised that the temptation to reduce prices in such periods is not excluded. Whether the corporation itself has "scattered mills" within the meaning of the above quoted statement is not known, but it does have mills that are widely scattered, and were widely scattered when they were taken over, to the accompaniment of high infusions of "water" into the Corporation's capital structure.

In this connection, a study of the industry's capitalization per ton of ingot capacity is illuminating. A portion of these facts as to four producers only was presented in the Federal Trade Commission's report to the President on Steel Sheet Piling in 1936. (P. 32) The magazine "STEEL" tabulated the 1935 earnings, capitalization, assets, and liabilities of twenty-three producers who represented an aggregate annual ingot capacity of over 63,000,000 tons, or 90% of the total capacity. The magazine also translated some of that information into terms of per ton ingot capacity. The range of capitalization per ton of capacity was from \$12.60 to \$185.71. Only three concerns were capitalized at more than \$100 per ton of capacity, and they are engaged largely in the production of special alloy steels. Excluding them, the highest per ton capitalization was \$72.41. The corporation's capitalization per ton was \$62.41, and was the third

highest of twenty producers. Twelve of the twenty producers, however, showed a capitalization of less than \$50 per ton of capacity, six less than \$40 per ton, and three less than \$30 per ton.

The significance of these facts is that concerns with relatively low capitalization per ton of capacity are thereby equipped to produce steel and pay satisfactory returns on their investment at a price level that would not permit concerns with higher capitalization to pay any returns thereon. To argue generalities about high capital costs per ton of capacity is to ignore these wide differences among supposedly independent competitive enterprises. It assumes that such differences should not express themselves in the form of price competition lest the relatively high capital costs of some concerns be reduced. It is an extension of the vested interest principle to include the capitalization of anticipated earning power based on monopolistic suppression of price competition. If any inflation of capital costs does exist, the argument is perfectly calculated to protect and continue it.

The Corporation states that "the average investment required for a modern steel works of efficient size is approximately \$100,000,000," exclusive of investment in operations prior to the assembly of raw materials at the plant site. (Ex. 1410, p. 14) The implication is that smaller plants and smaller companies are not efficient. This is to be considered in connection with the fact that in 1935 only ten out of twenty-three companies, representing 90% of the total ingot capacity of the industry, each had assets running as high as \$100,000,000 and four of these ten each had less than \$125,000,000, total assets. ("STEEL," May 11, 1936)

The close connection between overhead and capital costs and excess capacity should not be overlooked. As the magazine "STEEL" said in an editorial on excess capacity, steel, "instead of being a \$4,281,264,890 industry, actually would be capitalized at considerably less if much excess capacity, whose future usefulness is problematical, were scrapped." ("STEEL," July 18, 1938, p. 39)

(d) *The Corporation's Claim That Substitution of f. o. b. Mill Pricing for the Basing Point System Would Dislocate Industry and Create Monopolistic Conditions*

In no respect does the Corporation's defense of the basing point system more clearly invade the realm of economic sophistry than in its argument that abrogation of the system in order to restore price competition will mean in fact the establishment of monopoly. Building upon the premise that the innovation of price competition would produce important changes in the physical and geographical characteristics of the industry, the Corporation magnifies such changes to the point of suggesting that price competition would be the equivalent of economic disaster. Apropos of this it might be said that unless price competition would produce some important changes it would not be worth insisting upon. The changes that might result would simply be the automatic measure of the need for them, provided our social and economic philosophy is not to be basically and permanently altered.

The Corporation's argument combines the contention that the basing point system is competitive with the claim that its abrogation would therefore destroy competition and create monopoly. But the most insinuating part of the argument is that in the process of changing from one type of economy to the other the result would be financial losses, dislocation of industry, increased unemployment, and consequent detriment to the public. This is the vested interest argument at its ultimate. It could have been applied with equal force to the institution of slavery or to any other institution that has conflicted with basic public policy as does private monopoly.

The Corporation's contention as to dislocation and disruption of industry is that the only substitute suggested for the basing point system is one of f. o. b. mill prices uniform to all customers. As shown hereafter this is a misconception and the conclusions based upon that contention as a premise are therefore beside the point. Aside from that, however, the Corporation attempts to measure the extent of dislocation resulting from a hypothetical f. o. b. mill price on sheets, one of the most important rolled steel products. As to that product, it endeavors to demonstrate that a series of local or sectional monopolies would result. An analysis of this attempt will now be made.

A striking fact is that in making this attempt the Corporation employs a technique which it elsewhere says is not accurate. Thus it says:

"It is impossible to measure quantitatively the amount of transportation costs which might be considered unnecessary from any point of view, and it is equally impossible to measure the economic costs which would result from any inter-

ference with present practices, or, more specifically, from any direct or indirect limitation of selling territories." (Ex. 1418, p. 77).

Again it says:

"The effect of the basing point method upon the flexibility of steel prices could only be measured accurately by comparison of present prices with prices which would have existed in the absence of the basing point method. Such alternative prices cannot be known, as it cannot be determined what practice would have developed if the basing point method had not been used, and thus it cannot be estimated what effect this other practice would have had upon prices." (Exhibit 1418, p. 45).

To a similar effect is a statement made with reference to the criticism that the present location of mills is the result of the basing point system, as follows:

"An accurate appraisal of this criticism would require comparison of the existing facilities at Pittsburgh and other large basing points with those which would exist there if the Pittsburgh plus and basing point pricing methods had not been in use. Such comparison would require an examination of the extent to which any pricing practice could affect the location of production facilities, what practice would have been followed in the absence of Pittsburgh plus and the basing point method, and what effect such different practice would have had upon the location of production facilities. There is no way by which the present steel producing facilities can be compared scientifically with those which would have existed under other conditions." (Ex. 1418, p. 47.)

The above-admitted infirmities in the technique employed by the Corporation are enough to vitiate the conclusions that are worked out from certain assumptions with much more elaborate detail and show of scientific exactitude. But there are other fallacies that may be pointed out. Discussing the probable effect of a mill price method, the Corporation says:

"An isolated producer would be protected from other producers by a wall of freight rates, and would be able to charge high prices to consumers in his own area." (Ex. 1418, p. 86.)

Whatever protection is given an isolated producer by a wall of freight rates is given in fullest possible measure under the basing point system. He would violate a cardinal principle of the system if he did not avail himself of that protection. It is also argued that under f. o. b. mill pricing the prices at each mill would be identical since "otherwise the mill with the lowest price would obtain all the business." (Ex. 1418, p. 37.) This overlooks the fact that identical mill prices could not produce identical delivered costs in view of the difference in transportation charges. The Corporation also says:

"Under the proposed uniform f. o. b. mill base system, unless the isolated producer's prices were exceedingly high outlying producers could not afford to name a price enough below his to take any substantial part in his market." (Ex. 1418, p. 87.)

That is exactly the situation under the basing point system. No matter how high the isolated producer's mill net price, no matter how much "phantom freight" is included in it, no matter whether outlying producers can afford to undersell him, the system will not permit them to do so. Nor is the producer with the freight rate advantage permitted to use it to reduce his mill net price by sharing that advantage with the purchaser. The Corporation goes on to say that under the basing point system outlying producers are willing to compete in the vicinity of the isolated producer by accepting lower mill net returns. This omits the fact that they accept these lower returns in the exact amounts needed to make their delivered prices the same as those of the isolated producer. It also omits the fact that each producer is isolated as to some of his business, and so reciprocal relationship develops if the system is to be maintained.

In flat contradiction of the foregoing claims the Corporation has elsewhere admitted that the ending of the basing point system would tend to reduce prices, and then proceeded to exaggerate it to the point of absurdity. Testifying before the Senate Committee on Interstate Commerce in April 1936, W. A. Irvin, president of the Corporation, said that the effect of f. o. b. mill pricing would be "to produce a downward spiral of prices." (Printed Hearings on S. 4055, p. 596.) In the pamphlet under consideration, the Corporation says that under a mill pricing method producers that are close together "would be in intense competition with each other" and the buyers for the most part "would buy from the nearest mill because its price plus the transportation charges to destination would be the lowest." (Ex. 1418, pp. 85, 87.) Again it is said that:

"In order to sell sheets in any important market a mill would have to reduce its price by the amount of the freight to such market. In many cases this would arbitrarily result in wiping out the selling area of other mills, compelling retalia-

tion by them which in turn would deprive the first mill of access to the market sought by such mill in making the price reduction. The price would be lower, with little or no real gain in marketing area." (Ex. 1418, p. 93.)

In still another place the Corporation argues the reverse of the above. It says that a mill price method "would increase the tendency to follow price raises by other mills by reducing the number of producers and by keeping the mills out of contact with each other's customers." It also says that "The mills would be more apt to follow a rise in the price at one mill, than to try to initiate sales efforts in the new area in which their old prices were the lowest because the mill which had raised its price would almost certainly be obliged to reduce its price if the others did so." (Ex. 1418, p. 95.)

Despite the admission that f. o. b. mill pricing would reduce prices, the Corporation uses twelve printed pages and presents maps all based on the assumption that mill prices at non-basing point mills would be made equal to present basing point prices at the nearest basing points. In making that assumption the Corporation cannot maintain its statement that "the previously existing scale of delivered prices in the territory around the non-basing point mill can and undoubtedly will remain about the same even though the mill becomes a basing point." (Ex. 1418, p. 61.)

When the Corporation finally concludes that the effect of f. o. b. mill pricing would be to give local mills a virtual monopoly against their more distant competitors, it necessarily reverts to the position that a mill price method would reduce prices. It assumes, concedes, and emphasizes that fact. (Ex. 1418, pp. 89, 92, 93, 94, 101.) Unless prices were reduced the mills could continue to sell in as wide a territory as at present. In reverting to this position, the Corporation holds up the bogey of a monopoly that would keep out competitors by the simple process of underselling them. This is no more than any competitor does when he makes a lower price. To apply the word "monopoly" to the particular business which a competitor takes by making a lower price is to distort and reverse the ordinary meaning of the word, if indeed it is not "economic sophistry." The same might be said of applying the word "competition" to a system that permits all producers to share in business anywhere but only at identical delivered prices. Purchasers might well forego access to so many sources of supply if they could thereby obtain lower prices.

There are other weaknesses in the conclusions drawn as to the effect of f. o. b. mill prices in allegedly creating the local monopolies described. Some of them may be mentioned. The geographical effects are based on all rail carload freight rates with slight exceptions, while, of course, the use of water and truck rates would substantially enlarge the sales area of the mills using them. (Ex. 1418, pp. 89, 91.) It is also assumed that the ratio of mill operation to capacity would be no larger than in 1938 when it was 43%. (Ex. 1418, p. 92, footnote.) Incidentally, sheets, the product selected for the showing, probably has a greater degree of excess capacity than any other and might, therefore, not be typical of results as to other products. The conclusions drawn assume that the present base price level will continue, that each mill would have the same mill price, that the sales area of each mill would remain constant, and that differences in the costs of various mills would have no effect upon the sales areas or prices. In short, the necessities of the argument require that these unstable factors be arbitrarily stabilized in order to make them conform to an assertedly resultant condition of monopolistic stabilization.

Finally, it may be observed that if f. o. b. mill pricing actually tended to create monopolies, it had abundant opportunity to demonstrate it in the case of pig iron. Pig iron had always been priced f. o. b. furnace until the NRA Code in 1933 substituted the basing point system on that underlying product of the steel industry. This was fifteen years after Judge Gary's effort to that end had failed. As shown in the Federal Trade Commission's report to the Senate in 1934, when the so-called "monopoly" of the f. o. b. furnace price of pig iron was replaced by the so-called "competition" of the basing point system, prices were simultaneously advanced. ("Practices of the Steel Industry Under the Code," p. 58. See also F. T. C. report to the President of November 1934, p. 7, and Appendix C.) Likewise, when the price of steel billets was changed under the Code from an f. o. b. mill basis to the basing point system it automatically increased the delivered cost to a certain purchaser by over \$3.00 a ton, this increase representing "phantom freight" to a nearby source of supply. (F. T. C. Report to the Senate, p. 59.) Only in the topsy-turvy realm of economic sophistry can such behavior of competition and monopoly be explained.

The Corporation of course does not carry the vested interest argument to the point of opposing changes that the industry might find it advantageous to

make, regardless of their effect upon other vested interestss. The trade magazine *Steel*, commenting upon the results of the changes in base prices and abolition of base price differentials of June 1938, said:

"Some consumers may move their plants with a view to improving their position in respect to buying material and selling their products. Others may change their products; a few already have indicated their intention of doing so." (*Steel*, July 1938, pp. 23, 24.)

The magazine *Steel* summarized the replies to a questionnaire it had sent out to representative steel users, concerning the effect on their business of the changes in base prices and base price differentials made in July 1938. It appears that about 13% of the replies were to the effect that their competitive position had been unfavorably affected, while about 20% reported that their competitive position had been affected favorably. (*Steel*, July 24, 1939, p. 15.) Such facts illustrate the point that in considering vested interests much depends on "whose ox is gored."

An article entitled "War and the Steel Ghost Towns" in the January 1940 *Harpers' Magazine* describes graphically the technological displacement of hand mills by the continuous strip process, the consequent disemployment of thousands of skilled workers, and the shattering effect upon the whole economy of scores of substantial communities. The only pertinent comment in this connection is that the public policy of preserving competition is no less fundamental than that of preserving the right of technological advancement. Nor is the vested interest defense any more valid in the one situation than in the other.

Under the NRA Code, many long established and important business interests protested various steel code provisions as damaging, discriminatory and destructive to their respective businesses. Yet such code provisions were not modified and the ones objected to are still in practical effect. The vested interests that have been protected by and embodied in the basing point system are at least partially offset by vested interests that were injured and perhaps destroyed by it. So, unless government should take the broader view that the vested interest of the whole public in fundamental public policy is paramount to all other considerations, it must choose which particular group of vested interests shall be protected and which other groups may become its prey.

THE CORPORATION HAS MISSTATED THE ATTITUDE OF THE FEDERAL TRADE COMMISSION REGARDING ALTERNATIVES TO THE BASING POINT SYSTEM

In order to support its thesis that objections to the basing-point system are founded upon abstract criteria and not upon tangible evidence, the Corporation devotes 18 pages of its 101 page pamphlet to an analysis of what it says is the alternative to the basing point system that is proposed by the Federal Trade Commission. It is said that such alternative has been proposed in order to "produce all of the assumptions of 'perfect competition'" (Ex. 1418, p. 85).

Besides being itself theoretically abstruse and highly speculative, such analysis is wholly beside the point. The Commission has not proposed the alternative to which the Corporation's analysis is directed. What it has proposed is quite different from what the Corporation claims. The crux of this issue is whether the quoting of f. o. b. mill prices, which is the natural and logical negation of a delivered price system, must take the form of a uniform mill price to all customers. The most extreme misstatement of the Commission's position on this question appears in the following terms:

"The Federal Trade Commission has publicly taken the position that the uniform f. o. b. mill price system was prescribed by its 1924 'cease and desist' order directed against said subsidiaries of the United States Steel Corporation, in the Pittsburgh Plus case." (Ex. 1418, p. 82)

To support this statement the Corporation cites page 13 of the Commission's pamphlet, entitled "Monopoly and Competition in Steel," submitted to the Temporary National Economic Committee in March 1939. The citation given does not support the above quoted statement of the Corporation. On the page cited, the Commission stated its position to the effect that the basing point system should be eliminated as a device that prevents price competition and that it was necessary to guard against any substitute for it which would produce the same results in the form of identical delivered prices. The Commission then quoted the text of its order in the Pittsburgh Plus case and stated that the principles of that order should be applied to the steel industry. The terms of that order made no reference to f. o. b. mill prices of steel uniform to all customers. Immediately following the text of the order, the Commission said:

"The open f. o. b. mill price system is essential, in the Commission's opinion, for the maintenance of fair competition in steel. To fulfill this purpose, however, there must be no obligation to maintain any announced price for any time whatsoever." (Exhibit 358, Part 5 of Printed Hearings before TNEC, P. 2200).

From this last statement of the Commission's position, it is clear that the Commission has not proposed to require the use of a mill price uniform to all customers.

Certain of its findings in the Pittsburgh Plus case were to the effect that the pressure of buyers would compel equal price treatment by a particular seller quoting f. o. b. mill, when discrimination between buyers would not be concealed, as it is under the basing point system. But it is a distortion of facts to say, as the Corporation does, that "the Federal Trade Commission proposes to impose by law or mandate" a uniformity in mill prices to all customers (Ex. 1418, p. 37). From its enactment, in 1914 until its amendment in 1936, the Clayton Act specifically safeguarded the right of a seller to discriminate in price for various reasons, among them being discrimination in good faith to meet competition. The amended Act now safeguards the right of a seller to discriminate in price in good faith to meet an equally low price of a competitor, but he has the burden of proof on that question. This right is guaranteed by statute and could not be curtailed by any mandate or order of the Commission. The Commission has never proposed that this right be disturbed by amendment of the statute. The right of self defense against competitive price attacks is as vital in a competitive economy as the right of self defense against personal attack.

In view of the above clear and consistent record of the Commission on this question, numerous statements or references by the Corporation may be challenged, such as the Commission's "insistence that uniform f. o. b. mill prices should be required" (Ex. 1418, p. 38); that the Commission had "clung to its old opinion" that "steel should be sold at uniform f. o. b. mill prices without freight absorption" (Ibid. p. 83); that the "proposed uniform f. o. b. mill price system differs fundamentally from its earlier model in the requirement that mill prices be uniform to all buyers" (Ibid. p. 83); that it is questionable whether "the proposed uniform mill price system would bring about the assumed conditions of 'perfect competition' as contended by the Federal Trade Commission" (Ibid. p. 84); that refer to "the rigid and arbitrary nature of the system recommended by the Federal Trade Commission" (Ibid. p. 89); and that it would be impossible to foresee "What steps the mills would be forced to take to escape the procrustean rigidity of this system" (Ibid. p. 94).

The Corporation further states that "The only alternative seriously suggested by the critics of the basing point method is the uniform f. o. b. mill price system" (Ibid. p. 82). This is not true. The alternative has been proposed of restoring price competition through f. o. b. mill pricing and the ending of the basing point system as a means of ending a system of identical delivered prices. If the ending of the system and the substitution of f. o. b. mill prices did not operate to prevent a mill from charging different prices to its different customers, this would be taken care of under the law as it now stands if it amounted to unlawful price discrimination.

In furtherance of its argument on this question, the Corporation states "a requirement that all sales by any producer be made at uniform prices, regardless of the buyer's location, is artificial" (Ex. 1418, p. 84). To this it may be said that even if such a requirement were to be imposed by some form of social mandate, it would be much less artificial than the present requirement of the basing point system which is that the mill net returns or prices shall vary systematically according to the location of the buyer in order that he may be quoted identical delivered prices, regardless of the location of the sellers.

THE STEEL INDUSTRY SHOULD BE PREVENTED FROM CONTINUING TO RESTRAIN PRICE COMPETITION THROUGH USE OF THE BASING POINT SYSTEM OR THROUGH ANY EQUIVALENT METHOD

As stated at the outset, the Corporation admits that "price competition is necessary in any industry operating in a capitalistic system." (Exhibit 1410, p. 27) In making this statement the Corporation agrees that the stability and perpetuity of the capitalistic system depends upon the preservation of price competition. The only real issue, therefore, is whether the structure and the philosophy of the basing point system are hostile to the existence of price competition. Considering its inception, its purpose, the methods employed to implement it, and most of all, its results, it is believed that the "tangible evidence" presented herein supports the conclusion that the basing point system in the

Steel Industry is the negation and frustration of price competition. It is also believed that even judged by the standards of "abstract criteria", the system conforms to the economic concepts of monopoly and violates the economic concepts of a competitive economy. If the Congress or other socially created agencies should accept these conclusions as embodiments of ultimate fact, then the Corporation itself, if it is to follow the logic of its own position must abandon the basing point system or imperil the capitalistic system. If the theory of vested interests is to dominate the decision, the status quo will have been maintained at the sacrifice of a cardinal principle of the capitalistic system.

As stated by the Federal Trade Commission in its report to the President on steel sheet piling in June, 1936 (p. 41) "the issue thus presented is whether this Industry shall be required to obey the law or whether it shall be allowed to violate the law in the guise of maintaining the so-called 'standards of fair competition which are described in the Steel Code' ". The Commission also said in that report that either an affirmative or negative policy on the subject would have equally far reaching and fundamental consequences. More specifically, the fundamental issue of public policy is whether the systematic suppression of price competition which was perfected under the N. R. A. Steel Code and the emergency legislation which preceded it shall be allowed to continue indefinitely after that emergency legislation has been nullified.

The Commission recommended to the President that the results of its investigation on steel sheet piling be referred to the Attorney General for appropriate action. This was done. On April 26, 1937, the Attorney General reported to the President that an investigation by his department had failed to produce "sufficient evidence admissible in civil and criminal litigations to make advisable proceedings in court or under the Anti-trust Acts as they have been construed by the courts."

The Commission recommended to the President in the Steel Piling report that he consider "recommending to Congress the enactment of legislation making unlawful such organized systems of delivered prices as frustrate price competition." The Commission's statement on the advantages of such legislation was as follows:

"Bills are now pending in both Houses of Congress that would make the operation of non-competitive basing point systems unlawful per se. There are distinct advantages to be gained through legislation directly outlawing such basing point systems. The enactment of such a general act supplementary to the Anti-trust laws would render unnecessary the separate investigation of a great number of industries together with the effect of the system in each upon the competition therein, looking toward the bringing of separate proceedings with respect to each industry using such a basing point system. Once Congress has enacted an anti-basing point bill, the immense expense of separate investigations and the laborious trial of separate suits would be avoided. If in but one case the Supreme Court upheld the validity of the statute, it is believed that the artificial character of such basing point systems would aid in their collapse. There would be a strong sentiment on the part of many members of the Industry to return to price competition rather than defy an Act of Congress and await action by the Department of Justice or by this Commission. The result would be the elimination of uncertainty as to the law which is expensive to Industry and to the public in many ways." (Report, to President on steel sheet piling June 10, 1936, pages 41, 42)

The Attorney General in his report to the President above referred to, recommended the establishment of a committee to survey the whole field of methods of monopolistic control and the desirability of amending, extending and clarifying the Anti-trust laws. The Temporary National Economic Committee has grown out of that recommendation. No more vitally needed legislation within the scope of the committee's functions can be suggested than that of directly prohibiting the basing point system by Congressional mandate. The constitutional power of Congress to regulate interstate commerce could find no more appropriate exercise, assuming that our long established public policy of preserving competition and free enterprise is to be something more than an abstraction.

SUPPLEMENT TO "EXHIBIT NO. 2242"

A detailed analysis (on basis of value) of the respective pages of "Bad and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939, as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as "Exhibits Nos. 2231 and 2232"

[A—Steel producers as listed in Iron and Steel Works Directory of United States and Canada, 1938. B—Concerns not listed as producers in Iron and Steel Works Directory of United States and Canada, 1938]

[NOTE.—Exhibit 2231 is a break-down of the money value of bidder awards into various categories which was not undertaken in the basic documents. This supplement shows the page totals of the various categories of Exhibits 2211 and 2210, the aggregates of which are shown in Exhibit 2231.]

1938

Page numbers of original exhibit No. 2211	Number of awards	Value of all awards	Segregation by character of product				Value of one bidder awards				Rolling-mill products (aggregate—column 2)				All other steel products (aggregate—column 3)				
			(1)	Value of all other steel products			Rolling-mill products	Other steel products	Total	Awards "by tie-lot bids"	Awards at "lower than price"	Awards at other "lower than price"	Awards by "tie-lot bids"	Awards at "lower than price"	Awards at other "lower than price"				
				(2)	(3)	(4)										(5A)	(5B)	(5C)	(6)	(7)	(8)	(9)	(10)	(11)
[1]	A-----	23,415.27	21,396.37	2,018.90															
	B-----	1,548.74	1,501.94	46.80															
[2]	A-----	21,964.01	22,898.31	2,065.70															
	B-----	65,675.11	65,440.39	117.40															
[3]	A-----	68,370.49	68,018.37	117.40															
	B-----	12,447.60	11,419.57	694.70															
[4]	A-----	10,247.42	10,247.42																
	B-----	22,695.02	21,666.99	694.70															
[5]	A-----	3,237.09	3,237.09																
	B-----	52,353.08	52,353.08																
[6]	A-----	55,590.17	55,590.17																
	B-----	113,716.96	113,024.58	692.38															
[7]	A-----	515.41	421.90	82.51															
	B-----	114,232.37	113,446.48	785.89															

[5]

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A detailed analysis (on basis of value) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939, as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as "Exhibits Nos. 2231 and 2232"—Continued.

1938—Continued

Page numbers of original of "Exhibit No. 2211"	Number of awards	Value of all awards	Segregation by character of product			Value of one bidder awards			Rolling-mill products (aggregate—column 2)				All other steel products (aggregate—column 3)		
			Value of rolling-mill products	Value of all other steel products	Value of other products	Rolling-mill products (5A)	Other steel products (5B)	Total (5C)	Awards "by tie-lot bids"	Awards at "lower price"	Awards at other than price	Awards by "tie-lot bids"	Awards at "lower price"	Awards at other than price	
(1)	(2)	(3)	(4)	(5A)	(5B)	(5C)	(6)	(7)	(8)	(9)	(10)	(11)			
[6]	A	283,808.16	283,050.91	757.25			29,249.32	253,801.59			757.25				
	B	116,506.59	101,890.59	14,616.00			18,846.20	83,044.39			14,616.00				
[7]	A	400,314.75	384,941.50	15,373.25			48,095.52	336,845.98			15,373.25				
	B	219,738.70	151,669.12	68,069.58			15,902.84	135,766.28			58,817.33				
[8]	A	152,403.86	14,150.50	138,253.36			14,150.50			9,252.25	138,253.36				
	B	372,142.56	165,819.62	206,322.94			30,053.34	135,766.28		9,252.25	197,070.69				
[9]	A	66,653.43	66,653.43				32,162.78	34,490.65							
	B	75,957.49	75,957.49				244.00	75,713.49							
[9]	A	142,610.92	142,610.92				32,406.78	110,204.14							
	B	7,985,074.50	10,100.67	7,939,272.35		35,701.48		10,100.67			7,939,272.35				
[10]	A	2,637.95	871.45	1,766.50				871.45			1,766.50				
	B	7,987,712.45	10,972.12	7,941,038.85		35,701.48		10,972.12			7,941,038.85				
[10]	A	11,580.35				11,580.35									
	B	11,580.35													
[11]	A	22,165.30	22,002.40												
	B	2,761.25	2,512.85	248.40		162.90	5,596.50	16,223.17	182.73		248.40				
[12]	A	24,926.55	24,515.25	248.40		162.90	6,054.14	17,958.26	502.85		248.40				
	B	12,022.75	12,022.75				198.80	3,234.95	8,589.00						

A detailed analysis (on basis of value) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1933 and the first quarter (3 months) of 1939, as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as "Exhibits Nos. 2231 and 2232".—Continued

1938.—Continued

Page number of original exhibit No.	Number of awards	Value of all awards	Segregation by character of product			Value of all bidder awards			Rolling-mill products (aggregate—column 2)				All other steel products (aggregate—column 3)			
			Value of rolling-mill products	Value of all other steel products	Value of other products	Rolling-mill products	Other steel products	Total	Awards "by lot bids"	Awards at "lower than price"	Awards at other than price	Awards by "lot bids"	Awards at "lower than price"	Awards at other than price	Awards by "lot bids"	Awards at other than price
		(1)	(2)	(3)	(4)	(5A)	(5B)	(5C)	(6)	(7)	(8)	(9)	(10)	(11)		
[22] A.....	14	64,109.69	16,713.56	47,396.13					5,533.95	11,159.61			47,396.13			
	5	6,061.30	784.21	5,277.09						784.21		5,277.09				
[23] A.....	19	70,170.99	17,497.77	52,673.22					5,533.95	11,943.82			47,396.13			
	12	41,433.79	41,433.79							41,433.79						
[24] A.....	5	12,419.84	12,419.84							12,419.84						
	17	53,853.63	53,853.63							53,853.63						
[25] A.....	17	31,606.43	31,606.43						12,729.61	18,876.82						
	3	70,508.18	70,508.18							70,508.18						
[26] A.....	20	111,114.61	111,114.61						12,729.61	98,385.00						
	15	44,078.10	37,108.63	6,969.47					16,089.60	19,175.03	1,844.00		6,969.47			
[27] A.....	9	5,299.34	3,898.82	1,400.52						3,898.82			1,400.52			
	24	49,377.44	41,007.45	8,369.99					16,089.60	23,073.85	1,844.00		8,369.99			
[28] A.....	16	397,632.87	387,572.27	2,287.15					12,398.06	375,174.21			2,287.15			
	5	4,225.36	4,054.31	244.05		7,773.45		7,773.45		4,054.31			244.05			
[29] A.....	21	401,931.23	391,626.58	2,531.20		7,773.45		7,773.45		379,228.52			2,531.20			
	12	145,670.40	145,670.40						656.60	143,834.00						
[30] A.....	8	7,315.60	7,315.60							7,315.60						
	20	152,986.00	152,986.00						656.60	151,149.60						

[28]	A	17	85,205.72	83,227.26	1,022.46	956.00	956.00	2,424.22	80,803.04				1,022.46
	B	9	6,461.88	3,670.83	2,791.05				3,670.83				2,791.05
[29]	A	26	91,667.60	86,898.09	3,813.51	956.00	956.00	2,424.22	84,473.87				3,813.51
	B	17	495,638.79	485,744.59	8,828.00	1,089.20	1,089.20	763.10	477,933.01	7,028.48			8,825.00
[30]	A	8	98,505.00	86,880.00	11,625.00	1,089.20	1,089.20	763.10	86,880.00				11,625.00
	B	25	594,163.79	572,624.59	20,450.00	1,089.20	1,089.20	763.10	564,833.01	7,028.48			20,450.00
[31]	A	13	102,184.27	36,827.59	60,017.96	5,338.72	5,338.72	22,000.00	14,827.59				60,017.96
	B	5	144,241.30	11,553.76	132,687.54	5,338.72	5,338.72	10,000.00	1,553.76				132,687.54
[32]	A	18	240,426.57	48,381.35	192,705.50	5,338.72	5,338.72	32,000.00	16,381.35				192,705.50
	B	10	61,072.70		57,919.70	3,153.00	3,153.00						57,919.70
[33]	A	20	143,137.89		19,852.05	123,285.84	123,285.84						19,852.05
	B	30	204,210.59		77,771.75	123,285.84	123,285.84						77,771.75
[34]	A	6	15,173.34	13,997.67	1,175.67	3,153.00	3,153.00	814.40	13,183.27				1,175.67
	B	23	87,703.00		16,592.69	71,110.31	71,110.31						16,592.69
[35]	A	29	102,876.34	13,997.67	17,768.36	71,110.31	71,110.31	814.40	13,183.27				17,768.36
	B	7	520.60		520.60								520.60
[36]	A	15	63,358.33		26,924.53	36,430.80	36,430.80						26,924.53
	B	22	63,878.93		27,448.13	36,430.80	36,430.80						27,448.13
[37]	A	7	705.76		705.76								705.76
	B	14	6,228.00		6,228.00								6,228.00
[38]	A	21	6,934.76		6,934.76								6,934.76
	B	5	5,763.39	128.24	5,635.15				128.24				5,635.15
[39]	A	15	3,641.48	67.76	3,573.72				67.76				3,573.72
	B	20	9,404.87	196.00	9,208.87				196.00				9,208.87
[40]	A	8	627.20	37.32	589.88				37.32				589.88
	B	12	5,132.79		5,035.41								5,035.41
[41]	A	20	5,759.99	37.32	5,625.29				37.32				5,625.29
	B	11	4,285.62	142.25	4,153.37				142.25				4,153.37
[42]	A	9	9,698.65		9,698.65								9,698.65
	B	20	14,994.27	142.25	13,852.02				142.25				13,852.02

[44]	A	8	11,181.69	10,198.04	55.86	10,198.04	16.80	910.90
	B	13	77,761.91	3,769.39	55.86	3,769.39	9,321.40	64,671.12
[45]	A	21	88,943.51	13,967.43	55.86	13,967.43	9,338.20	65,582.02
	B	6	2,904.74	2,077.07	127.67	2,077.07	304.00	2,077.07
[46]	A	14	2,362.41	2,362.41	127.67	2,362.41	304.00	1,562.81
	B	20	4,667.15	4,439.48	127.67	4,439.48	304.00	3,639.88
[47]	A	4	4,284.04	4,284.04	46.54	4,284.04	4,237.50	4,237.50
	B	13	34,284.43	34,284.43	46.54	34,284.43	4,394.39	29,860.04
[48]	A	17	38,668.47	38,621.03	46.54	38,621.03	8,631.80	29,800.04
	B	7	858.74	70.55	788.19	70.55	70.55	70.55
[49]	A	11	1,943.34	1,843.34	788.19	1,843.34	1,843.34	1,843.34
	B	18	2,702.08	1,913.89	788.19	1,913.89	1,913.89	1,913.89
[50]	A	2	46.30	46.30	46.30	46.30	46.30	46.30
	B	14	3,468.56	3,260.98	207.58	3,260.98	1,681.62	1,579.36
[51]	A	16	3,514.86	3,307.28	207.58	3,307.28	1,727.92	1,579.36
	B	4	98,237.40	98,237.40	353.61	98,237.40	97,987.40	2,472.22
[52]	A	22	355,536.10	342,039.66	353.61	342,039.66	10,500.00	2,976.44
	B	26	453,773.50	111,713.84	353.61	111,713.84	108,487.40	2,976.44
[53]	A	7	2,892.83	2,472.22	353.61	2,472.22	2,472.22	2,472.22
	B	12	28,950.89	7,409.72	353.61	7,409.72	7,409.72	7,409.72
[54]	A	19	31,852.42	9,892.09	353.61	9,892.09	9,892.09	9,892.09
	B	7	12,318.81	6,056.10	40.00	6,056.10	5,867.82	354.89
[55]	A	11	11,821.63	11,102.41	40.00	11,102.41	157.80	10,834.61
	B	18	24,140.44	6,531.10	40.00	6,531.10	6,025.62	11,189.50
[56]	A	5	9,234.08	9,234.08	1.08	9,234.08	7,699.50	1,563.50
	B	10	64,527.18	10,939.00	1.08	10,939.00	263.10	6,785.97
[57]	A	21	73,761.26	10,039.00	1.08	10,039.00	7,932.60	2,743.41
	B	4	385.87	355.17	30.70	355.17	36.57	318.60
[58]	A	13	17,653.84	6,614.49	30.70	6,614.49	43.40	6,571.09
	B	17	48,039.71	6,969.66	30.70	6,969.66	79.97	6,889.69

A detailed analysis (on basis of value) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939, as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as "Exhibits Nos. 2231 and 2232"—Continued

1938—Continued

Page numbers of original of "Exhibit No. 2211"		Number of awards	Value of all awards			Segregation by character of product			Value of one bidder awards			Rolling-mill products (aggregate—column 2)			All other steel products (aggregate—column 3)		
			(1)	(2)	(3)	(4)	(5A)	(5B)	(5C)	(6)	(7)	(8)	(9)	(10)	(11)		
[54]	A	9	33,129.63		33,114.69		14.94		14.94			29,420.00	3,694.69				
	B	14	108,527.25		8,064.75	100,472.50							8,064.75				
[55]	A	23	141,666.88		41,169.44	100,472.50		14.94				29,420.00	11,749.44				
	B	10	15,351.76		15,223.54		138.22		138.22			6,980.58	8,242.96				
[56]	A	12	19,307.59		19,307.59							2,537.08	16,770.51				
	B	22	34,659.35		34,531.13		138.22		138.22			9,517.66	25,013.47				
[57]	A	6	3,673.87	402.79	3,140.96	65.52	64.60		64.60	402.79		30,361.60	1,846.84	1,294.12			
	B	13	33,365.91		33,365.91							30,361.60	3,004.31				
[57]	A	19	37,039.78	402.79	36,506.87	65.52	64.60		64.60	402.79		30,361.60	4,851.15	1,294.12			
	B	3	298.38		298.38								298.38				
[58]	A	17	107,382.54		61,542.54	45,840.00						548.00	60,994.54				
	B	20	107,680.92		61,840.92	45,840.00						548.00	61,292.92				
[58]	A	10	3,827.26		3,717.81		109.45		109.45			169.40	3,548.41				
	B	6	10,502.29		10,502.29								10,502.29				
[59]	A	16	14,329.55		14,220.10		109.45		109.45			169.40	14,050.70				
	B	5	16,517.39		16,509.30		8.09		8.09			14,980.00	1,529.30				
[59]	A	18	29,243.07		21,189.57	8,053.50						5,665.03	15,504.54				
	B	23	45,760.46		37,698.87	8,053.50	8.09		8.09			20,665.03	17,033.84				

[60]	A	2	1,602.62	1,579.61	23.01	23.01	1,579.61	483.78	151.80
	B	17	35,941.79	715.68			231.90		
[61]	A	19	37,544.41	2,295.28	23.01	23.01	1,811.51	483.78	
	B	12	26,388.60	16,466.50			20,860.00		
[62]	A	15	70,407.21	53,940.71			14,243.50	23,083.00	
	B	27	96,795.81	42,855.10			19,772.10		
[63]	A	9	3,316.23	1,595.26	10.81	10.81	45.76	1,549.50	151.80
	B	9	1,210.43	619.52			88.97	378.75	
[64]	A	18	4,626.06	2,214.78	10.81	10.81	134.73	1,929.25	151.80
	B	9	46,334.61	46,240.29	94.32	94.32	162.62	46,077.87	
[65]	A	7	24,941.82	816.75	94.32	94.32	309.40	507.35	
	B	16	71,276.43	47,057.04			472.02	46,585.02	
[66]	A	8	1,273.89	1,167.75	104.65	104.65	266.40	901.35	363.22
	B	12	2,662.61	2,619.71			156.72	2,099.77	
[67]	A	20	3,941.50	3,787.46	104.65	104.65	423.12	3,001.12	363.22
	B	8	3,483.81	1,203.90			704.80	499.10	251.60
[68]	A	11	7,791.47	6,757.22	2,229.86	2,229.86	2,156.75	4,348.87	251.60
	B	19	11,275.28	7,961.12			2,831.55	4,847.97	251.60
[69]	A	6	3,375.20	3,324.00	51.20	51.20	172.80	798.00	2,353.20
	B	17	5,586.95	5,886.95			416.20	5,170.75	
[70]	A	23	8,962.15	8,910.95	51.20	51.20	589.00	5,968.75	2,353.20
	B	4	3,250.65	1,321.05				1,321.05	
[71]	A	17	4,159.93	4,159.93	1,929.60	1,929.60	775.70	3,384.23	
	B	21	7,410.58	5,480.98			775.70	4,705.28	
[72]	A	13	3,887.17	3,880.64	506.53	506.53		3,189.64	191.00
	B	7	5,319.30	5,319.30				3,621.54	1,697.76
[73]	A	20	9,206.47	8,689.94	506.53	506.53		6,811.18	1,888.76
	B	7	35,036.46	32,930.33				20,804.00	12,126.33
[74]	A	18	12,681.92	7,524.64				1,453.15	6,071.49
	B	25	48,717.78	40,454.97				22,257.15	18,197.82

A detailed analysis (on basis of value) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939, as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as "Exhibits Nos. 2231 and 2232"—Continued

1938—Continued

Page numbers of original exhibits	Number of awards	Value of all awards	Segregation by character of product			Value of one bidder awards			Rolling-mill products (aggregate—column 2)			All other steel products (aggregate—column 3)		
			Value of rolling-mill products	Value of all other steel products	Value of other products	Rolling-mill products	Other steel products	Total	Awards "by tie lot bids"	Awards at "lower price"	Awards at other than price	Awards by "tie lot bids"	Awards at "lower price"	Awards at other than price
		(1)	(2)	(3)	(4)	(5A)	(5B)	(5C)	(6)	(7)	(8)	(9)	(10)	(11)
[86] A B	14	491,845.85		490,065.85		1,780.00		1,780.00					490,065.85	
	7	47,715.90		47,715.90								293.82	47,422.05	
	21	539,561.75		537,781.75		1,780.00		1,780.00				293.82	537,487.93	
[87] A B	8	1,584,765.00	328,940.00	45,387.03	1,224,920.00	1,062.00		1,062.00		325,940.00			45,387.03	
	9	52,934.03	7,547.00	32,843.00						7,547.00			32,843.00	
	17	1,637,699.03	333,487.00	78,230.03	1,224,920.00	1,062.00		1,062.00		333,487.00			78,230.03	
Total, 1938: A B	879	15,208,886.82	3,184,048.20	10,402,805.23	1,483,297.37	151,200.02		151,200.02		2,783,636.53		49,489.82	247,799.03	10,147,412.92
	876	3,080,470.78	793,099.49	1,261,036.95	1,013,870.34				53,090.70	739,608.64	320.12	126,555.76	1,081,788.35	7,161.28
	1755	18,289,357.60	3,977,147.69	11,663,842.18	2,497,167.71	151,200.02		151,200.02	404,102.58	3,523,235.17	49,809.94	374,654.79	11,229,201.27	50,986.12

FIRST QUARTER, 1939

Page number of original exhibit No. 2210	Number of awards	Value of all awards	Segregation by character of product			Value of one-bidder awards			Rolling mill products (aggregate—column 2)				All other steel products (aggregate—column 3)			
			Value of rolling mill products	Value of all other steel products	Value of other products	Rolling mill products (5A)	Other steel products (5B)	Total (5C)	Awards by "lot" bids (6)	Awards at lower price (7)	Awards at other than price (8)	Awards by "lot" bids (9)	Awards at lower price (10)	Awards at other than price (11)		
[1]	A	7,759.13	7,682.53	76.60					3,788.04	3,608.30	286.19			76.60		
	B	905.46	905.46							905.46						
	Total	8,664.59	8,587.99	76.60					3,788.04	4,513.76	286.19			76.60		
[2]	A	7,694.76	5,234.76	2,460.00					867.76	4,367.00				2,460.00		
	B	1,916.55	1,916.55							1,916.55						
	Total	9,611.31	7,151.31	2,460.00					867.76	6,283.55				2,460.00		
[3]	A	912,455.01	735.72			911,719.29		911,719.29	735.72	6,305.88				796.00		
	B	7,101.88	6,305.88	796.00										796.00		
	Total	919,556.89	7,041.60	796.00		911,719.29		911,719.29	735.72	6,305.88				796.00		
[4]	A	5,521.04	5,481.44	39.60						4,595.00	886.44			39.60		
	B	2,407.30	677.30	1,730.00						677.30				1,730.00		
	Total	7,928.34	6,158.74	1,769.60						5,272.30	886.44			1,769.60		
[5]	A	12,126.97	9,101.50	3,025.47					442.00	8,659.50				3,025.47		
	B	452.50	452.50							452.50						
	Total	12,579.47	9,554.00	3,025.47					442.00	9,112.00				3,025.47		
[6]	A	34,067.83	34,067.83						684.56	33,433.27						
	B	5,927.16	4,771.16	1,153.00					4,152.96	621.20				1,153.00		
	Total	39,994.99	38,841.99	1,153.00					4,787.52	34,054.47				1,153.00		
[7]	A	104,942.29	104,942.29						9,185.32	73,305.33	22,451.64					
	B	5,360.18	5,360.18							5,360.18						
	Total	110,302.47	110,302.47						9,185.32	78,665.51	22,451.64					

A detailed analysis (on basis of value) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939, as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as "Exhibits Nos. 2231 and 2232"—Continued

FIRST QUARTER, 1939—Continued

Page number of original of "Exhibit No. 2210"	Number of awards	Value of all awards	Segregation by character of product			One-bidder awards			Rolling mill products (aggregate—column 2)			All other steel products (aggregate—column 3)		
			Value of rolling mill products	Value of all other steel products	Value of product	Rolling-mill products	Other steel products	Total	Awards by "tie-lot" bids	Awards at lower price	Awards at other than price	Awards by "tie-lot" bids	Awards at lower price	Awards at other than price
		(1)	(2)	(3)	(4)	(5A)	(5B)	(5C)	(6)	(7)	(8)	(9)	(10)	(11)
[8]	A	217,639.55	217,639.55						39,840.58	177,798.97				
	B	0												
	Total	217,639.55	217,639.55						39,840.58	177,798.97				
[9]	A	7,464,483.34	34,281.34	5,587,192.00		1,843,010.00		1,843,010.00	2,531.85	31,749.49			5,587,192.00	
	B	1	63,466.09						63,466.09					
	Total	7,527,949.43	97,747.43	5,587,192.00		1,843,010.00		1,843,010.00	2,531.85	95,215.58			5,587,192.00	
[10]	A	534,650.79	475,435.11			59,215.68		59,215.68	119,196.75	356,238.36				
	B	6	121,912.30						110,580.00	11,332.30				
	Total	14	656,563.09	597,347.41		59,215.68		59,215.68	229,776.75	367,570.66				
[11]	A	18,131.82		17,976.25		155.57		155.57					17,976.25	
	B	9	51,491.54	51,491.54								63.90	51,427.64	
	Total	18	69,623.36	69,467.79		155.57		155.57				63.90	69,403.89	
[13]	A	439.16		439.16									439.16	
	B	3	3,022.91	2,935.11						87.80			2,935.11	
	Total	11	3,462.07	3,374.27						87.80			3,374.27	
[14]	A	11,103.00		11,160.00		33.00		33.00					11,160.00	
	B	8	4,605.37	4,605.37									4,605.37	
	Total	12	15,708.37	15,765.37		33.00		33.00					15,765.37	

1 Duplicate of page 10.

A detailed analysis (on basis of value) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939, as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as "Exhibits Nos. 2231 and 2232".—Continued

FIRST QUARTER, 1939—Continued

Page number of original of Exhibit	No. 2210 of Exhibit	Number of awards	Value of all awards	Segregation by character of product			One-bidder awards			Rolling mill products (aggregate—column 2)			All other steel products (aggregate—column 3)		
				Value of rolling mill products	Value of all other steel products	Value of other products	Rolling-mill products	Other steel products	Total	Awards by "tie-lot" bids	Awards at lower price	Awards at other than price	Awards by "tie-lot" bids	Awards at lower price	Awards at other than price
		(1)	(2)	(3)	(4)	(5A)	(5B)	(5C)	(6)	(7)	(8)	(9)	(10)	(11)	
[25]	A	328.95		260.10		68.85		68.85					280.10		
	B	8,905.06		8,905.06									8,905.06		
	Total	9,234.01		9,165.16		68.85		68.85					9,165.16		
[26]	A	529.81		529.81									482.16		
	B	2,238.71		2,238.71									327.60		
	Total	2,768.52		2,768.52									809.76		
[27]	A	149.60		24.25	27.75	97.60		97.60					24.25		
	B	5,758.10		5,758.10									783.20		
	Total	5,907.70		5,782.35	27.75	97.60		97.60					809.76		
[28]	A	306.07		88.75		217.32		217.32					78.75		
	B	91,018.40		91,018.40									15,397.45		
	Total	91,324.47		91,107.15		217.32		217.32					15,476.20		
[29]	A	1,020.50		997.49		23.01		23.01					997.49		
	B	997.25		997.25	70.00								897.25		
	Total	1,987.75		1,894.74	70.00	23.01		23.01					997.49		
[30]	A	6,807.98		5,122.37									1,685.61		
	B	7,746.55		200.00									1,565.10		
	Total	14,554.53		5,322.37									1,565.10		
													7,667.06		

[31]	A	3	48,980.90	13,418.40	35,562.50	592.60	13,418.40	740.25
	B	10	111,989.47	9,089.47	102,900.00	592.60	7,756.02	740.25
[32]	Total	13	160,970.37	22,507.87	102,900.00		21,175.02	740.25
	A	14	13,174.47	843.82	16.54	386.15	843.82	
[33]	B	2	5,699.85	4,460.20	1,239.65	16.54	4,460.20	
	Total	16	18,874.32	13,553.76	16.54	386.15	5,304.02	
[34]	A	10	4,483.68	1,697.86	90.80	90.80	1,697.86	
	B	6	7,756.80	7,756.80	90.80	90.80	2,282.30	5,474.50
[35]	Total	16	12,240.48	9,454.66	90.80	90.80	3,980.16	5,474.50
	A	13	51,346.79	635.00	1,432.50		635.00	
[36]	B	2	5,675.85	5,675.85			5,675.85	
	Total	15	57,022.64	6,310.85	1,432.50		6,310.85	
[37]	A	7	6,801.77	4,017.56		674.19	4,017.56	
	B	11	7,506.66	6,351.02		674.19	6,351.02	
[38]	Total	18	14,308.43	10,368.58		674.19	10,368.58	
	A	1	993.95	993.95			993.95	
[39]	B	0						
	Total	1	993.95	993.95			993.95	
[40]	A	8	21,084.42	16,391.16	4,693.26		13,350.11	
	B	2	557.71	557.71			368.18	
[41]	Total	10	21,642.13	16,948.87	4,693.26		3,409.23	
	A	1	2,663.00	2,663.00			2,663.00	
[42]	B	4	6,335.60	6,335.60			6,335.60	
	Total	5	8,998.60	2,663.00			2,663.00	
[43]	A	6	7,232.15	5,982.15	121.23	121.23	5,860.92	
	B	1	22,711.64	22,711.64			22,711.64	
[44]	Total	7	29,943.79	28,693.79			28,572.56	
	A	236	9,524,754.08	5,690,375.06	1,485.27	2,894,471.43	804,398.79	980.50
[45]	B	230	627,639.41	237,800.75	102,970.00	114,732.96	122,707.79	10,334.50
	All total	466	10,152,393.49	5,977,543.72	104,455.27	2,894,471.43	927,106.58	11,315.00

SUPPLEMENT TO "EXHIBIT NO. 2242"

A detailed analysis (on the basis of number of awards) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939 as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as Exhibits 2231 and 2232

[A—Steel producers as listed in Iron and Steel Works Directory of United States and Canada, 1938. B—Concerns not listed as producers in Iron and Steel Works Directory of United States and Canada, 1938]

[NOTE.—Exhibit 2232 is an analysis of the number of "tie" and "unlike bids" of the several bidders on "rolling mill products" and "other steel products" by the producers of "rolling mill products" and "other steel products" respectively. In some cases the rolling mills, as listed in the Iron and Steel Works Directory of the United States and Canada were also bidders on "other steel products."]

1938

Page number of original of "Exhibit No. 2211"	Number of awards		Total	Other than steel products		Only bidder awards		Rolling mill, products awards						All other steel products					
								At tie-lot bids		At unlike bids		At other than price		At tie-lot bids		At unlike bids		At other than price	
	1	2		3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
	A	B			A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
[1]	16	5	21					6		8	4	1					1	1	
[2]	12	6	18			1		2		7	5	2					1		
[3]	15	3	18			1		4	1	3	2	5				2			
[4]	6	11	17					2		2	11	2							
[5]	13	3	16					2		8	2					3	1		
[6]	13	8	21					3	5	9	2					1	1		
[7]	19	3	22					5	1	10				1		3	2		
[8]	14	7	21					7	1	7	6								
[9]	17	8	25			3				7	4					7	4		
[10]	1		1			1													
[11]	12	6	18			1		1	1	9	2	1	2				1		
[12]	14	4	18					3		3	3	8		1					
[13]	11	7	18					1		6	5	2				2	2		
[14]	12	3	15			2		5		4	3	1							
[15]	13	2	15			2		4		4	1					3	1		
[16]	14	3	17			1		4		6	2	1				2	1		
[17]	16		16			1		8		7									
[18]	17	2	19			1		2		7	2	1				6			
[19]	26	2	28			1		3		21	2	1							
[20]	5	1	6			1		1			1	1				2			
[21]	14	3	17					5		9	3								
[22]	14	5	19					4		8	4			1		2			
[23]	12	5	17					7		12	5								
[24]	17	3	20					10	3										
[25]	15	9	24					7		8	6	1				4	3		
[26]	16	5	21			1		5		7	3					3	2		
[27]	12	8	20					2		9	8	1							
[28]	17	9	26			1		3		10	3					3	6		
[29]	17	8	25			2		1		11	7	1				2	1		
[30]	13	5	18			1		1	1	8	2								
[31]	10		10		11	1								2	2	2	7		
[32]	6	23	29		13	1		1		1				2	2	4	8		
[33]	7	15	22		6									1	2	6	7		
[34]	7	14	21												1	6	13	1	
[35]	5	15	20						1	1				1	2	1	12	2	
[36]	8	12	20		1										7	7	11		
[37]	11	9	20					1		1					2	9	6		1
[38]	10	11	21												9	11	1		
[39]	8	12	20											2	8	10			
[40]	9	10	19							3	3				6	6			1
[41]	8	12	20												2	8	9		1
[42]	7	7	14											1	6	7			
[43]	10	10	20			4								1	5	9			1
[44]	8	13	21			2				2	1			1	2	3	10		
[45]	6	14	20			3									2	3	11		1
[46]	4	13	17			2										2	10		3
[47]	7	11	18			4										3	11		
[48]	2	14	16		2									2	1		11		
[49]	4	22	26		14									3	1		7	1	
[50]	7	12	19		2	3										3	10		
[51]	7	11	18		1	1				1				1	1	4	7		1
[52]	5	16	21		6	1				1				1	1	3	7		1
[53]	4	13	17		1	2								1	1	1	11		
[54]	9	14	23		4	1								1		7	10		
[55]	10	12	22			5								2	2	3	10		

A detailed analysis (on the basis of number of awards) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939 as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as Exhibits 2231 and 2232—Continued

1938—Continued

Page number of original of "Exhibit No. 2211"			Total	Other than steel products		Only bid-der awards		Rolling mill, products awards						All other steel products						
								At tie-lot bids		At un-like bids		At other than price		At tie-lot bids		At un-like bids		At other than price		
								lot bids		like bids		than price		lot bids		like bids		than price		
	1	2	3	4		5		6		7		8		9		10		11		
A	B		A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B		
[56]	6	13	19	1		1		1						3		2	10	1		
[57]	3	17	20		3									4		3	10			
[58]	10	6	16			4								1		5	6			
[59]	5	18	23		3	2								1	4	2	11			
[60]	2	17	19		11	1								1	2		4			
[61]	12	15	27		9									4	3	8	3			
[62]	9	9	18	1	6	1								1	1	6	1		1	
[63]	9	7	16		2	5								1	2	3	3			
[64]	8	12	20	1	1	4								1	2	2	7		2	
[65]	8	11	19		1	2				1				3	1	2	8		1	
[66]	6	17	23			2								1	3	2	14	1		
[67]	4	17	21			1								2		3	15			
[68]	13	7	20			6										6	6	1	1	
[69]	7	18	25							1	4			1	3	5	11			
[70]	10	9	19			2								1	2	6	7	1		
[71]	3	19	22											3	3	3	15		1	
[72]	3	2	5			2								1			2			
[73]	21	5	26							11				3		7	5			
[74]	11	18	29					1		5	5					5	13			
[75]	13	15	28		1					8	1	1				3	14			
[76]	6	14	20		1					2	2	1				3	12			
[77]	12	13	25							6						6	13			
[78]	10	11	21		1	1		1		5				3	5		5			
[79]	9	13	22			1		1		3	1					2	3	1		
[80]	9	18	27		4					7	4				2	2	8			
[81]	8	18	26					1		3	1	2			1	2	11		1	
[82]	6	14	20		2					3					1	3	10			
[83]	17	14	31		2			2		11	1				1	3	10	1		
[84]	17	8	25	2	2	1		1		7	2					6	4			
[85]	8	6	14			1								1	2	6	3		1	
[86]	14	7	21			1								2		13	5			
[87]	8	9	17	1		1				1	1				5	8				

1939

[1]	13	2	15					4		7	2	1				1			
[2]	4	6	10					2		1	6					1			
[3]	3	6	9			2		1		3	5								
[4]	6	4	10							3	3	1				2	1		
[5]	5	1	6					2		1	1	1				2			
[6]	6	4	10					3	1	3	2						1		
[7]	11	4	15					4		5		2							
[8]	16	0	16					6		10	4								
[9]	13	1	14			1		2		6	1					4			
[10]	8	6	14			1		4	4	3	2								
[11]																			
[12]	9	9	18			3									1	6	8		
[13]	3	8	11								1				3	3	7		
[14]	4	8	12			1									3	8	8		
[15]	1	8	9														8	1	
[16]	4	4	8			2									1	2	3		
[17]	4	5	9			2		1							1	1	4		
[18]	7	4	11			2										5	4		
[19]	5	8	13			1									1	4	7		
[20]	5	11	16											2	1	2	9	1	1
[21]	5	9	14			2								1	1	2	8		
[22]	6	8	14			3										3	8		
[23]	5	8	13		1											4	8		
[24]	4	12	16												3	4	9		
[25]	3	11	14			2										1	11		
[26]	5	6	11											4	1	1	5		

¹ Duplicate of page 10.

A detailed analysis (on the basis of number of awards) of the respective pages of "Bid and Award Record of U. S. Government Purchases" for the year 1938 and the first quarter (3 months) of 1939 as shown by Exhibits 2211 and 2210, respectively, which were submitted by U. S. Steel Corporation, summaries of which exhibits were submitted as Exhibits 2231 and 2232—Continued

1939—Continued

Page number of original of "Exhibit No. 2211"	Number of awards		Total	Other than steel prod- ucts		Only bid- der awards		Rolling mill, products awards						All other steel products								
	1	2						3	4	5	At tie- lot bids		At un- like bids		At other than price		At tie- lot bids		At un- like bids		At other than price	
											6	7	8	9	10	11	12	13	14	15		
																					A	B
[27]	4	7	11	1		2																
[28]	4	13	17			2								1	8	1	5					
[29]	2	9	11		2	1								1		7						
[30]	8	10	18					3		1	1					7						
[31]	3	10	13		1					1					2	4	6		1			
[32]	14	2	16			1		1		8	1					4	1					
[33]	10	6	16			1				6						3	3			3		
[34]	13	2	15	1						10						2	2					
[35]	7	11	18					1		2	2					4	9					
[36]	1		1													1						
[37]	8	2	10			2								3	1	3	1					
[38]	1	4	5								4					1						
[39]	6	1	7					1		3	1					2						
Total	236	230	466	3	3	31		35	5	70	36	4	0	12	25	79	156	2		5		

SUMMARY

1938 Total	879	876	1,755	9	112	89	---	102	11	306	130	32	2	43	79	287	524	11	18
1939 Total	236	230	466	3	3	31	---	35	5	70	36	4	---	12	25	79	156	2	5
	1,115	1,106	2,221	12	115	120	---	137	16	376	166	36	2	55	104	366	680	13	23

SUPPLEMENTAL DATA

The following exhibit, introduced in Hearings, Part 20, is included at this point in connection with testimony supra.

EXHIBIT No. 1418

THE BASING POINT METHOD OF QUOTING DELIVERED PRICES IN THE STEEL INDUSTRY

FOREWORD

The basing point method of quoting delivered prices in the steel industry has been the subject of criticism by certain economists and by the Federal Trade Commission for a number of years. The views of one of the critics, Professor Frank A. Fetter, are set forth in his book "The Masquerade of Monopoly." The Federal Trade Commission has issued a number of statements criticizing the basing point method, the most recent of which is a pamphlet entitled "Monopoly and Competition in Steel" which was submitted by the Commission to the Temporary National Economic Committee in March, 1939.

While at least one authoritative and comprehensive work on the steel industry has been published (Daugherty, deChazeau and Stratton—"The Economics of the Iron and Steel Industry"), it is believed that there exists a need for a shorter treatment of the fundamental economic traits of the steel industry and the pricing method which has evolved in this industry over a long period of years as a consequence thereof.

This statement has been prepared by the United States Steel Corporation in connection with the hearings on the steel industry before the Temporary National Economic Committee. It has a twofold purpose: first, to clarify in the mind of the reader who is not familiar with the facts, the origin and operation of the basing point method of quoting delivered prices in the steel industry and the theoretical nature of the criticisms of this pricing method; and second, to establish that this pricing method is the natural result of basic economic conditions in the steel industry and does not result in the absence of price competition. The delivered prices of steel products at any consuming point are determined by competition and not by an inflexible application of the basing point method.

OCTOBER 30, 1939.

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A. THE OPERATION OF THE BASING POINT METHOD

DELIVERED PRICES

Steel is generally sold on a delivered price basis. A delivered price is the price of steel delivered at the town or city where the consumer of such steel is located. The use of delivered prices results largely from the fact that the cost of transporting steel from the steel mill is often a substantial part of its cost at point of consumption. Buyers for this reason are seldom interested in its price at any place except where they need it. Manufacturers of steel must take this factor into account.

Delivered prices are usually calculated on the basis of the price announced at the steel mill which is nearest freightwise to the buyer's destination. This method of calculating delivered prices is often called the "*basing point system*".

PITTSBURGH PLUS

Under the so-called "*Pittsburgh Plus*" practice, which the steel industry generally used until the 1920's, delivered prices were calculated on the basis of the quoted f. o. b. Pittsburgh price, with the addition of railroad freight from Pittsburgh to the buyer's destination, regardless of where the steel was produced. Pittsburgh was the basing point. This method of calculating the delivered price is often termed a "*single basing point system*". However, even during the so-called Pittsburgh Plus period, delivered prices were often calculated on the basis of the quoted f. o. b. price at other steel producing points, with the addition of freight from such points to the buyers' destinations. The practice of using basing points other than Pittsburgh did not become generally prevalent until about 1924.

In 1924, the Federal Trade Commission ordered certain subsidiaries of the United States Steel Corporation to "cease and desist" from using the Pittsburgh Plus practice, and from selling steel products based on any point except the actual place of production or shipment. The practice of announcing prices at producing centers in addition to Pittsburgh, where such subsidiaries had mills, was then extended. Other producers announced prices at points selected by them. Such a point at which steel prices are quoted is generally called a "*basing point*" and is usually a place of steel production, although base prices for some steel products are quoted today f. o. b. certain ports on the Gulf of Mexico and on the Pacific Coast where there are no production facilities. This group of places at which steel prices were quoted was the nucleus of the present method of determining delivered prices in the steel industry, which is often termed a "*multiple basing point system*".

CALCULATION OF DELIVERED PRICES

The existence of many basing points makes the calculation of delivered prices much more complex than it was under the Pittsburgh Plus practice. Diagram 1 presumes the simplest possible situation, with one basing point, and one consuming

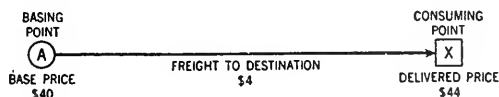
point. The base price¹ at the basing point, A, is \$40.00.² The freight from A to the consuming point X is \$4.00, making a delivered price of \$44.00. Diagram 2 presents a slightly more complicated situation. There are three basing points, A, B, and C, each with a base price of \$40.00. The freight to X from A is \$3.00, from B \$6.00, and from C \$5.00. If A, B and C were each to maintain such base price of \$40.00, there would be three delivered prices at X—\$43.00, \$45.00, and \$46.00. However, as the buyer naturally wants to purchase his steel as cheaply as possible, the lowest combination of base price and freight determines the delivered price. This means that the delivered price at X will be calculated by reference to A, the nearest mill freight-wise, and will be \$43.00 (\$40.00 base price plus \$3.00 freight). A will be the "applicable basing point" for sales to X.

The lowest sum of base price and freight determines the delivered price for competitive reasons. When a mill at A announces or quotes a base price of \$40.00, other producers know that such mill will sell at X for \$43.00, or, at any rate, for no more than \$43.00. If the outlying mills at B and C want the business, they will also quote \$43.00 to the consumer at X, because they know that the

THE BASING POINT METHOD

Most steel products are sold on a Delivered Price basis.

Diagram 1: How the Delivered Price is computed.



mill at A otherwise will undersell them. Thus the consumer at X may receive the same quoted delivered price from every mill.

The above paragraph ignores the fact that price concessions are common, especially in times of slack steel demand. Actually, the market price at X may be considerably lower than \$43, and any mill must meet such lower price, or give up the business. If a sale is made at a price lower than the lowest sum of base price and freight, the concession is often termed "price absorption"

FREIGHT ABSORPTION—MILL NET RETURN

To the extent that prices are uniform at X, this means that the consumer may give his business to any of the mills which are competing for such business. His final decision may rest upon his preference for the product of one of the mills, upon superior service, or upon one or more other factors outside of the basing point practice. If the mill at C secures the business, it will use only \$3.00 freight in calculating the delivered price, while it must actually pay \$5.00 for freight. The mill at B will also use only \$3.00 freight in calculating the delivered price,

¹ The use of the terms "base price" and "delivered price" in this memorandum is explained *infra*.

² The figure \$40.00, used in the text and accompanying diagrams is purely arbitrary and is not to be taken as an actual price. Prices vary for different steel products.

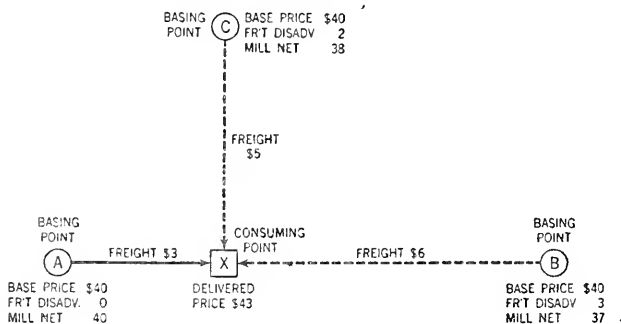
but will have to pay \$6.00. The difference between the freight used by these mills in calculating the delivered price, and the freight actually paid by them is often called "*freight absorption*." Freight absorption results from "*freight disadvantage*," or the fact that some mills are further away freight-wise from the consuming point than the mill at the applicable basing point. In this example, the mill at C will receive a delivered price of \$43.00 which, when the transportation cost of \$5.00 is paid, will result in a mill net return of \$38.00,—\$2.00 less than its base price. The mill at B will receive a delivered price of \$43.00 which, when the transportation cost of \$6.00 is paid, will result in a mill net return of \$37.00,—\$3.00 less than its base price. The amount realized at the mill, the delivered price less the transportation costs, is called the "*mill net return*." Only the mill at A will receive a mill net return equal to its base price of \$40.00.

The term "freight absorption," it should be noted, is misleading in one sense. It implies that the mills pay freight charges which the consumer ought to pay. In fact, however, each mill is selling steel at a given destination, usually in competition with other mills. It has to meet the delivered price which other mills

THE BASING POINT METHOD

Diagram 2: Explanation of Freight Disadvantage and Freight Absorption.

Mill at (A) has lowest Base Price plus Freight to [X]
 Mills at (B) and (C) are at a Freight Disadvantage;
 to sell at [X] they must absorb Freight.



will quote, and it knows, within limits, what that price is. The mills which "absorb freight" are merely recognizing the fact that by reason of a lower freight rate the mill at A has a competitive advantage over them in selling to X.

MARKET PENETRATION

To the extent that prices are uniform at X, all of the mills are on an equal level in bidding, regardless of their distance from X. If the order is given to the mill at B or C, it is argued that the steel is shipped further than is necessary to lay it down at X, for the nearest source of supply is A. This practice of shipping from other than the nearest mill has been called "*market penetration*."³ It results principally from the competition of all the mills for the business at X. It may also be caused by a preference of the consumer for the product of a particular mill, or by the inability of the nearest mill to supply the consumer, or by one or more other factors outside the scope of this discussion.

³ By Professor Melvin G. deChazeau. See "Economics of the Iron and Steel Industry," by Daugherty, deChazeau and Stratton, Chapters XII-XIV, *passim* (Published by McGraw-Hill Book Company, N. Y., 1937).

MARKET INTER-PENETRATION—CROSS-HAULING

Market penetration occurs constantly because most of the larger producers in order to operate at a low unit cost compete in all of the major market for the products they make. Consequently, while one mill sells for delivery at points nearer to other mills, it finds that more distant mills are making sales for delivery in territories nearer to it. The resulting shipments have been called by critics of the basing point practice "cross-hauling." Professor deChazeau has coined the term "market inter-penetration." It is not by any means clear what type of shipments critics of the basing point practice intend to include within the term cross-hauling.

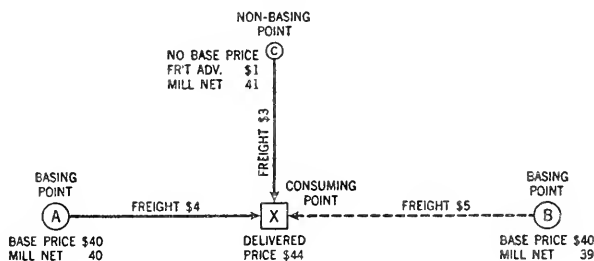
Apparently some critics would call any shipment to a point nearer another mill having capacity to make the product a cross-haul. However, it is believed that the term "cross-hauling" should be limited to cross shipments of identical products at about the same time, as shown on Diagram 9, *infra*.

Such critics have asserted that cross-hauling is economically wasteful, and have assumed that the waste is more or less accurately measured by freight ab-

THE BASING POINT METHOD

Diagram 3: Explanation of first type of Freight Advantage and so-called "Phantom Freight".

Mill at (A) has lowest Base Price plus Freight to (X).
 Mill at (C) charges the same Delivered Price. Having a Freight Advantage of \$1 over (A), (C) realizes a Mill Net \$1 higher than (A). This \$1 is so-called "Phantom Freight".



sorption. There are many reasons why this is not so. And, even assuming that cross-hauling could be satisfactorily measured, there are many reasons why it is not necessarily wasteful. Nothing is wasteful unless some means can be found to eliminate it, and unless the cost of elimination is less than what is saved. The alternatives to the basing point method would not necessarily eliminate all cross-hauling and they would probably cost more than the cross-hauling which now occurs.

SO-CALLED "PHANTOM FREIGHT"—FREIGHT ADVANTAGE

It has been shown that when a mill is at a freight disadvantage, it must absorb freight and accept a mill net return below its base price, if it wishes to compete with a mill located nearer to the buyer. In some cases, however, a mill is said to have a "freight advantage" which means that its delivered price will yield it a mill net return higher than the applicable base price. Diagram 3 illustrates one type of such a freight advantage. In this Diagram, A and B are basing points and C is a non-basing point mill. X is a point of consumption. Assuming a price of \$40.00 at basing points A and B, the delivered price of steel at X, predicated on A, will be \$44.00 (\$40.00 base price at A plus \$4.00 freight from A to X). A will be the applicable basing point. If the mill at C were a basing

point, with a base price of \$40.00, it would be the applicable basing point for X, for it has the lowest rail freight rate (\$3.00). The mill at c, however, is not a basing point and has no base price, possibly because it is located in a territory where the demand for steel is greater than the local production. The mill at c will meet the delivered price of its competitors and quote the lowest combination of base price and freight calculated by reference to existing basing points.

If the mill at c obtains the business at X, it will realize a mill net return of \$44.00, minus \$3.00 (actual freight) or \$41.00. Critics have dubbed this \$1.00 in excess of the applicable base price "*phantom freight*", because they say the mill at c charges \$4.00 for freight in calculating the delivered price, but actually pays only \$3.00. This terminology is misleading, and contains an erroneous implication. The mill at c does not charge \$4.00 for freight, or any other amount. On the contrary, it quotes a delivered price, which takes competitive advantage of its superior geographical location so far as this business is concerned, thus permitting it to realize a higher mill net return than the applicable base price of \$40.00. The mill at c uses the freight rate from A only to find out what the mills at A will quote at X. If the mill at c were to quote delivered prices, based on a

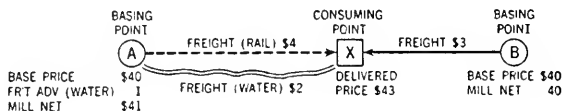
THE BASING POINT METHOD

Diagram 4: Explanation of second type of Freight Advantage and so-called "Phantom Freight"

Mill at (B) has lowest Base Price plus Rail Freight to [X].

Mill at (A) charges the same Delivered Price.

When mill at (A) ships by water it has a Freight Advantage of \$1 and realizes a Mill Net \$1 above its Base Price
This \$1 is so-called "Phantom Freight"



Note: When mill at (A) ships by rail it is at a Freight Disadvantage of \$1 and realizes a Mill Net \$1 below its Base Price

base price at c which was \$1.00 higher than the base price at A and B, it would realize a higher mill net return on a sale to X just as it did before c became a basing point.

If a base price is quoted at a basing point, higher than the price at other basing points, the difference is called a "*basing point price differential*", or simply a "*differential*". The freight advantage of mills located nearer the buyer than other mills may be realized either by so-called "*phantom freight*" or by a differential. In either case, such freight advantage, due to the mill's location, could only be taken away from it by the erection of another mill equally near or nearer to its markets. It should be pointed out that, in most cases, non-basing point mills, and mills which quote prices with a differential, actually suffer a freight disadvantage due to higher raw material assembly costs, so that "*phantom freight*" or differential may be merely compensation for such assembly cost disadvantage.

"PHANTOM FREIGHT" ARISING FROM WATER TRANSPORTATION

Referring to Diagram 4, it will be seen that the delivered price at X predicated on shipment by B, is \$43.00 (\$40.00 base price at B plus \$3.00 freight from B to X). The mill at basing point A, however, can ship to X by water for only \$2.00. The delivered price at X will remain \$43.00, as, generally speaking, rail freight rates are

the only transportation rates which are considered in calculating delivered prices. But if the mill at A gets the business at X, and ships by water, it will realize a mill net return of \$41.00 that is, \$43.00 minus \$2.00, or \$1.00 more than its base price. Critics also call this \$1.00 "phantom freight", because, as in the other case, they say the mill at A charges \$3.00 for freight in calculating the delivered price, but pays only \$2.00 for water transportation. Here again, however, the mill at A does not charge \$3.00 for freight or any other amount, but names a delivered price which permits it to profit from a competitive advantage, due to a superior geographical location so far as this business is concerned, over other mills which have to ship to X by rail, if they ship at all.

There are good reasons why the mill at A usually does not quote a delivered price at X based upon the cost of water transportation. First, a barge shipment must be much larger than a rail shipment before it can be carried economically. Comparatively few customers are willing to order the quantity of steel required for a barge load. This rules out many shipments which might otherwise be made by water. Second, water transportation is slower than rail, and buyers are not always willing to wait for water delivery. Third, facilities may not be available at destination for economically and efficiently handling a delivery by water. Fourth, shipments by water always involve extra costs at both mill and destination, which greatly reduce or eliminate any saving in transportation costs, except when shipped for considerable distances. Fifth, closed seasons of navigation by reason of climatic or flood conditions present transportation hazards uncertain in time or effect which prevent sound business determinations with respect to future delivery. Furthermore, if a delivered price of \$42.00 at X were quoted by the mill at A, other mills would meet this reduced price, and by offering quick delivery by rail would compel the mill at A to ship by rail. Thus the price at X would fall to the extent of \$1.00 and all the steel consumed there would still be carried in by rail.⁴

VARIABLE MILL NET RETURNS

From the discussion thus far, it appears that because of competitive conditions in the steel industry steel mills realize variable mill net returns in selling to different areas. If a mill is located at a basing point, it may realize a mill net equal to its base price on sales in the area nearest to it; on sales outside the area in which it has a freight advantage, its mill net returns will steadily diminish as the freight disadvantage grows. "Phantom freight" occurs only if its delivered price is based upon rail freight and it uses a form of transportation cheaper than all-rail, as for example, barge shipments on rivers and lakes. By means of water shipment the area in which it can sell without freight absorption may be greatly increased, but in general the mill will realize its highest mill net returns on sales to its nearest customers and progressively lower mill net returns as the distance from the mill to the consumer increases. The same is true of the mill net returns realized by non-basing point mills. This practice of realizing variable mill net returns is often critically described as "*price discrimination*", and because it follows a more or less regular geographical pattern, it is therefore called by some critics "*geographical price discrimination*".

These critics contend that this so-called geographical price discrimination is unjust because the nearest customers have to pay the highest mill net returns. They say that under the basing point method the farther the customer is from a mill the lower is the mill net return, the inference being that distant customers are given a better price than near-by customers. Actually, the price to the buyer is the delivered price. This criticism, furthermore, if it has any application, is true only with respect to mills not at basing points, of which there are few today, and with respect to mills at basing points only on sales made within areas nearer another mill. The criticism places undue emphasis on the mill net return. The customer is only interested in the price he pays (the delivered price), not what the mill ultimately receives (the mill net return), and the delivered price to a customer near the mill generally is lower than the delivered prices to customers located farther away, except those located nearer another source of supply.

The fact cannot be ignored that steel is sold on a competitive basis and that the size of an economical steel mill is so large and its product so diversified as to require distribution of certain classes of its products in markets which are nearer to other mills. In the area in which a mill has a freight advantage, it naturally quotes a price which will enable it to realize that advantage. When it sells in an area nearer to some other mill, it has to accept a delivered price which will yield a lower mill net return, i. e., to be competitive it must meet the delivered price

⁴ The problems of water transportation and the small extent to which this type of "phantom freight" may be realized are discussed at length in section C-6-(a)-(2) *infra*.

which the nearer mill is quoting. This is not a "discrimination" in any sense of the word; it is competition. As between a customer nearby and a customer far away, there is no uniformity of conditions of purchase on which properly to base a charge of discrimination.

NATURAL MARKET TERRITORY

The variance in mill net returns is illustrated by Diagrams 5 and 6. Diagram 5 shows the general effect of freight charges upon the competitive position of a mill. A and B are basing points, each with a base price of \$40.00. The line *O-O* connects points at which the delivered prices calculated by reference to A and B are equal. Thus, at X the delivered price calculated from the base prices and freight from both A and B, is \$47.00. At Y, the delivered price is \$46.00 and at Z, the delivered price is \$45.00. This means that both mills can sell in X, Y and Z without absorbing freight. The line connecting X, Y and Z is the boundary of what is sometimes termed the "natural market territory" of the mills at A and B. The term natural market territory is used here in a special sense, meaning the area in which each mill can sell at a delivered price calculated on the basis of its own base price, plus the actual freight to the point of delivery. Because of the desirability of operating each mill at a high rate of production and thus obtaining a low unit cost, and of maintaining an even flow of orders, neither mill limits its sales to its own side of the line. Each mill must reach the markets where the demand exists for its products.

The mills at B have a competitive advantage in selling on their own side of the boundary *O-O* but they must absorb freight in selling on A's side of the line and in increasing quantities as they approach A, because on that side of the line delivered prices are calculated by reference to freight rates from A. This fact is illustrated by Diagram 6. The line *O-O* is again the boundary of the natural market territories of mills at basing points A and B. At Y, a consuming point, the delivered price, calculated by reference to A, the nearest basing point, is \$41.00. The mill at B, which realizes its base price on a sale to X, must absorb \$3.00 freight in selling to Y, because its delivered price at Y cannot be in excess of \$41.00, while it must pay \$4.00 freight. Thus, when a mill sells outside its natural market territory, the delivered price often falls, while the freight actually paid always increases, and these two factors combine to reduce the mill net return.

EFFECT OF NEW BASING POINT

Diagrams 7 and 8 illustrate the effect of naming a new basing point. In Diagram 7, A and B are basing points, and c is a non-basing point mill. The line *O-O* is again the boundary between the natural market territories of A and B. Mills at these basing points will realize mill net returns equal to their base prices on sales on their own side of the boundary line *O-O*. The non-basing point mill at c has no base price, and in naming delivered prices at points in the natural market territories of A and B meets the delivered prices of A and B at such points.

Suppose that the mill at c decides to make c a basing point, and announces a base price of \$40.00. Any non-basing point mill may at any time announce base prices and thus become a basing point mill. Diagram 8 shows the immediate effect of this change. The line *O-O* marking the natural market territories of A and B now ceases to be significant. Instead, the two new boundaries *N-N* and *N'-N'* arise. The mill at C now realizes a mill net return equal to its base price on sales in the territory between *N-N* and *N'-N'*. The mills at A and B must absorb freight in selling to some parts of their old natural market territories (between *N-N* and *O-O* and between *N'-N'* and *O-O*), in which they formerly realized mill net returns equal to their base prices. The effect of so naming the new basing point has been to lower prices in the area between *N-N* and *N'-N'*, and to increase the territory in which the mills at A and B must absorb freight in order to sell, but it should be noted that these consequences follow only if the base price named at C is equal to, or lower than the base price at A and B.

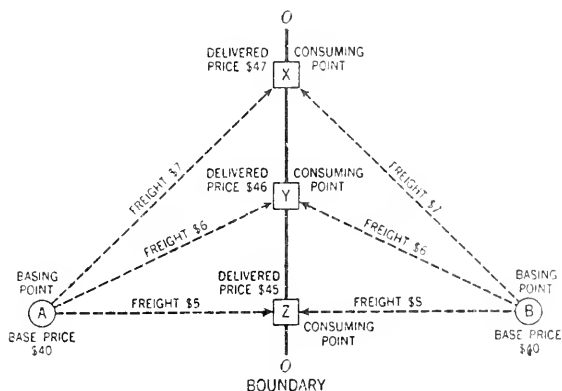
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In order to simplify the above discussion, no mention has been made of one of the elements of the delivered price to a buyer. "Extras" are amounts added to or deducted from the base prices announced for product classes in order to take care of the particular buyer's specifications of size, special quality, special treatment, or quantity. Announced prices, not including extras, are termed "base prices", and, depending upon whether or not the freight charges to destination are included, are termed "basing point base prices" or "delivered base prices". Prices quoted for delivery at given destinations, including both freight and extras,

THE BASING POINT METHOD

Diagram 5: Determination of Boundary between Natural Market Territories

The Boundary dividing the Natural Market Territories of mills at Basing Points (A) and (B) is the line O-O connecting the points at which the delivered prices from (A) and (B) are equal



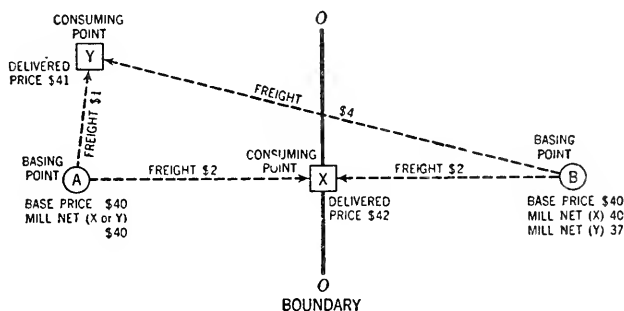
THE BASING POINT METHOD

Diagram 6: How shipping beyond Boundary of Natural Market Territory reduces Mill Net.

When mill at (B) sells to (X), its Mill Net is \$40.

When mill at (B) sells to (Y), its Mill Net is only \$37 because

1. Freight is \$2 higher.
2. Delivered Price is \$1 lower.

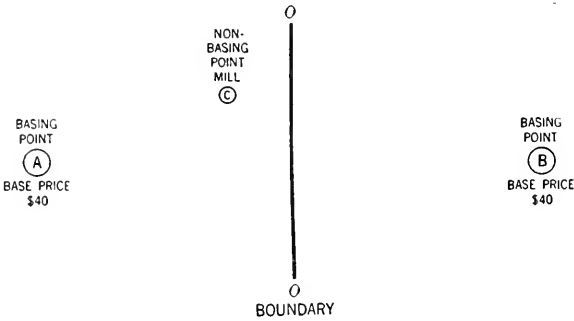


THE BASING POINT METHOD

Diagram 7 Non-basing Point Mill.

Mills at Basing Points (A) and (B) realize full Base Prices on sales in their respective Natural Market Territories.

Non-basing Point mill at (C) has no Base Price and meets the Delivered Prices of (A) and (B) when it sells in their respective Natural Market Territories.



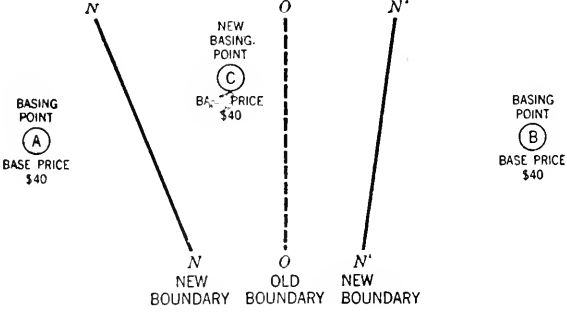
THE BASING POINT METHOD

Diagram 8: Effect of naming new Basing Point.

After (C) becomes a Basing Point, the Boundary OO' between (A) and (B) ceases to be significant.

Mill at (C) then has a Natural Market Territory, bounded by NN' and N'N', in which it establishes lower delivered prices than (A) or (B).

To sell in this territory, mills at Basing Points (A) and (B) must now absorb freight.



are termed "*net delivered prices*". The use of the word "base" as an adjective meaning "without extras", and the use of the same word "base" as a noun, meaning basing point, and also the use of its derivative, "based", is often confusing to persons not familiar with steel industry terminology. In common parlance outside of the steel industry, "base price" and "delivered price" are used to differentiate between the announced price at the basing point and the price at the destination which is the price quoted to the buyer. Such terminology, while strictly not in accordance with the words used within the steel industry, need cause no confusion as long as extras are not involved, as is the case in the present discussion. Since this simpler terminology has been used in most of the theoretical analyses of the basing point method and in public discussions thereof, it has been adopted herein.

B. HISTORICAL MATERIAL ⁵

The production of iron in America began in a limited area east of the Alleghenies, centered around Philadelphia, which was also a principal port of entry for

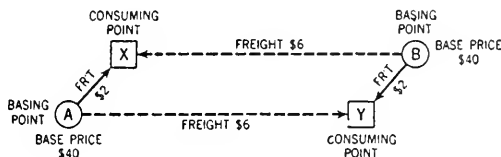
THE BASING POINT METHOD

Diagram 9: Illustration of Cross-hauling.

Products shipped from (A) to [Y] go past products shipped from (B) to (X)

This involves Cross-hauling only if

1. The products shipped are identical.
2. Shipments occur at substantially the same time.



foreign iron. A contemporary author, writing of the industry as it was in the 1750's, presents a clear picture of a rudimentary basing point structure. Prices on domestic iron were apparently quoted f. o. b. Philadelphia and were higher in the outlying territory where the iron was actually made. The manufacturers absorbed freight in order to move their iron to the central market, where it competed with foreign iron.⁶

Philadelphia's dominance did not endure. Better ores from the Lake Superior district and good coking coal in the vicinity of Pittsburgh later caused the vast development at Pittsburgh which rapidly reduced the importance of the eastern Pennsylvania iron makers and their market. This shift had been accomplished, at least in rolled products, by 1884.⁷

In spite of the remarkable evidence of a basing point price structure centered on Philadelphia prior to the Revolution, there seems to be little doubt that prices

⁵ The material in this section was largely drawn from the Trial Examiner's Report on the Facts in the *Pittsburgh Plus* case before the Federal Trade Commission (1924).

⁶ *Acrelius' History of New Sweden*, printed in 1759. See the Report of the National Recovery Administration on the Basing Point System in the Iron and Steel Industry, dated Nov. 30, 1934, p. 18. This source is hereafter referred to as the NRA Report.

⁷ NRA Report, pp. 19, 36.

in early days were usually quoted f. o. b. the mills. The industry was small-scale, and probably local producers discriminated in price between buyers, and enjoyed the other privileges of local monopolies, due to immunity from outside competition.⁸ F. o. b. mill prices seem to have been the general rule at least until the 1880's.⁹ Such price system was in the process of gradual change during a period which extended to the late 1890's.¹⁰

One writer¹¹ has interpreted the successive steps in the change of the price structure from an f. o. b. mill basis to a delivered price basis in terms of the growing scale of operations and of the shift from iron to steel products. The mills were increasing in size and capacity, serving wider areas, and concentrating, at the same time, in centers where the necessary raw materials could be assembled at a low cost. For example, in the thirty years before 1899, pig iron production per establishment increased 1,258 percent, and per employee, 416 percent, while steel works and rolling mill production per establishment increased 777 per cent, and per employee, 179 per cent.¹² This trend has continued, as shown by the fact that between 1889 and 1938 the number of individual blast furnaces in the United States declined by 60%, while the national capacity for the production of iron increased by 300%. At the beginning of the period there were 575 blast furnaces, operating in 162 counties and 24 states; at the end of it, there were only 236 furnaces, located in 56 counties and 17 states.¹³

The growth in size and capacity of blast furnaces and steel mills and the material increase in investment and overhead costs, combined with the centralization of producing units, the widening of markets and the increasing significance of transportation costs in the cost of steel to the consumer, gradually developed a price structure which would better meet the needs of the steel industry. It was necessary for these large steel mills to have a wide market for their various products in order to maintain a satisfactory rate of operations and thus achieve a low unit cost. In the opinion of Professor deChazeau "this evolution of the economic forces impinging upon competitive practices seems more important than the birth of a dominating corporation" in explaining the development of the basing point method.¹⁴

When the United States Steel Corporation was formed in 1901, the evolution in the price structure of the steel industry, which had been going on for several decades, had crystallized to the extent that most steel products were then sold on a delivered price basis and a great many on a Pittsburgh base price plus freight from that city.¹⁵

The development of the Illinois Steel Company made Chicago important in the steel industry as early as 1897. By 1908 the Chicago mills had grown to such extent that they were definitely shipping outside their local market territory. This growth has continued. The trial examiner in the Pittsburgh Plus case found that in a circle with a 60 mile radius centered on Chicago, there was an ingot capacity of 3,230,900 tons in 1908, and that by 1913 the ingot capacity had grown to 5,557,800 tons.¹⁶ From October, 1911 until March, 1912, the Pittsburgh Plus price system vanished in Chicago, and prices were quoted by Chicago mills on a Chicago base.¹⁷ Such a Chicago base price was established for bars, plates, and shapes, among other products. The report of the National Recovery Administration in 1934 thus analyzed this change:¹⁸

"In the growth of the Chicago District's productive capacity, we find early signs of the natural basing point development, whereby when capacity in a district increases to the point where it begins to require all its own market and to press for more, it breaks away from the 'mother' basing-point, stands on its

⁸ NRA Report, p. 34.

⁹ Daugherty, deChazeau, and Stratton, *Economics of the Iron and Steel Industry*, p. 533, citing the Federal Trade Commission's Practices of the Steel Industry under the Code (Report to the U. S. Senate, 73rd Cong., 2nd Sess., Doc. 159, 1934) p. 60. See also the Trial Examiner's Report on the Facts in Federal Trade Commission v. U. S. Steel Corp., pp. 68-9. This source, which will be referred to as the Trial Examiner's Report, is found on pages 35-380 of the Statement of the Case by *Amici Curiae*, V. 1.

¹⁰ Daugherty, etc., *op. cit.*, pp. 538-9.

¹¹ Professor Melvin G. deChazeau. See Daugherty, etc., *op. cit.*, pp. 534, 536.

¹² *Op. cit.* p. 536.

¹³ Steel Facts, Nov. 1938 (No. 29), p. 3.

¹⁴ deChazeau, in Daugherty, etc., *op. cit.*, p. 534.

¹⁵ *Id.* pp. 534-8. The Trial Examiner's Report on The Facts in Federal Trade Commission v. U. S. Steel Corp. states that by 1901 and 1902 the Pittsburgh Plus system had appeared as an established system, p. 181.

¹⁶ *Id.*, pp. 298-9.

¹⁷ *Id.*, pp. 81, 139-40, 184-5, 534-5. The ingot capacity in 1918 was 7,941,850 tons, and in 1923 it was 8,545,935 tons. Trial Examiner's Report, p. 299.

¹⁸ NRA Report, pp. 39-40. See January 4, 1912 issue of *Iron Age*, p. 59.

own feet and quotes its own base prices which are lower than prices delivered from distant producing points. * * *

"While this early defection of Chicago from the Pittsburgh base prices was only temporary, it is an indication of the maturing of the Chicago District as an independent basing point, and it is common knowledge that while Chicago base prices were not regularly published, they existed whenever the producers in Chicago found it to their advantage to quote under the ruling Pittsburgh plus prices, long before the Federal Trade Commission's order issued in 1924 requiring the United States Steel Corporation and certain of its subsidiaries to cease and desist from selling at 'Pittsburgh Plus' prices."

Aside from a brief period of Government price control during the World War, the Pittsburgh Plus practice was generally followed in the steel industry until the 1920's. In February, 1921, a price war developed at Chicago with the result that by July of that year Pittsburgh Plus prices on plates, shapes and bars had to a large extent been abandoned in the Chicago district.¹⁹ By January, 1923, the Chicago mills were selling large quantities of steel products on a Chicago mill base, but prices seem to have recovered to some extent.²⁰

Underlying this war of prices was the fact that Chicago and other new centers of production had developed enough capacity to supply their own local markets and to require other outlets. Under these circumstances, it was natural that new basing points should be established. Opposition to the Pittsburgh Plus practice had also developed among the fabricators in the Middle West, possibly caused by the large increases in freight rates which were made during and after the war. In 1921 action was begun by the Federal Trade Commission to investigate the Pittsburgh Plus pricing method, and to determine whether it violated any provision of law. This proceeding was directed against the United States Steel Corporation and certain subsidiaries thereof. In 1924, the Federal Trade Commission ordered certain subsidiaries of the United States Steel Corporation to "cease and desist" from selling at prices based on any point except the actual place of production or shipment.

The increase in the number of basing points then accelerated. The subsidiaries of the United States Steel Corporation announced base prices at many cities where they had plants. These new prices were higher than the base prices at Pittsburgh, but at many points of consumption resulted in delivered prices which were less than the full Pittsburgh Plus prices had been before the order of the Federal Trade Commission. Other steel producers began to name basing points of their own, and the number of basing points slowly increased. The naming of a basing point through the announcement of base prices at such point rests solely in the discretion of the particular steel producer.

The NRA Steel Code recognized and continued the use of the basing point method in the steel industry. There was some increase in the number of basing points, but the method remained unchanged in its main outlines. It should be noted that during the Code period two groups of cities, one on the Gulf of Mexico, called "Gulf Ports", and the other on the Pacific Coast, called "Pacific Coast Ports", were added to the list of basing points. There is no production at the Gulf Ports and comparatively little production at the Pacific Coast Ports. Base prices were introduced at these ports, principally to meet foreign competition. Delivered prices, which were lower than the base prices at the applicable basing points plus rail freight therefrom to these ports, had been quoted at these ports for some time before the NRA Code, and the formal naming of base prices at these ports may have been merely a recognition of an existing condition.

During the Code period, the President of the United States issued an executive order requiring the NRA and the Federal Trade Commission to study the operation of the steel basing point practice under the Code, and to report to him their findings. The Federal Trade Commission, in its report, clung to its old opinion that the basing point method was an undue restraint on competition, and that steel should be sold at uniform f. o. b. mill prices without freight absorption. The NRA Committee, however, came to the conclusion that the basing point method was a competitive method of selling, and was properly suited to the requirements of the steel industry. The NRA Committee did not believe that the uniform f. o. b. mill price system with elimination of freight absorption would produce competition of a useful kind. The NRA report recognized that some measure of freight absorption was necessary to enable the mills to function efficiently, but expressed

¹⁹ Trial Examiner's Report, pp. 84-85.

²⁰ On the Chicago price break, see also id., pages 94, 141-2, 187, 424, 425-8, 536.

the belief that freight absorption and cross-hauling should be limited by establishing some sort of limitation upon sales in areas where the mills had freight disadvantages. The report also stated that owing to the few number of basing points there were still some areas in which too much "phantom freight" was realized. The report concluded by suggesting two similar plans for modifying the basing point practice in these respects, the second of which plans it favored. Both plans, which need not be discussed in detail, were designed to change the basing point method into a producing center method of marketing steel, to reduce "phantom freight" to a negligible quantity by the addition of new basing points and to reduce cross-hauling by a limitation upon freight absorption. With these modifications, the NRA Committee believed that the basing point method would serve the best interests of the steel industry and the public more efficiently than the uniform f. o. b. mill price system would do, and that it would remedy any abuses without destroying existing investments. Neither plan suggested in the NRA report was put into operation. The National Industrial Recovery Act was declared unconstitutional in May, 1935, and the Steel Code was immediately abandoned.

On June 24, 1938, subsidiaries of the United States Steel Corporation reduced the base prices on many steel products at the several basing points where they had producing mills, and in addition abolished almost all of the price differentials at basing points outside of Pittsburgh. Other producers made adjustments by naming lower base prices and new basing points of their own. These changes have resulted in the establishment of basing points in almost all areas of large production, and have increased the necessity of absorbing freight to reach the various consuming areas, while decreasing the possibilities of the realization of "phantom freight"

C.

CRITICISMS OF THE BASING POINT METHOD

1. "PERFECT COMPETITION" AND THE STEEL INDUSTRY

Present day ideas of "*perfect competition*" are abstractions derived by classical economists from the fairs and markets of the 18th century and earlier times. In order to have a perfectly competitive market it would be necessary: (1) that the commodity dealt in be strictly uniform; (2) that there be so many sellers independently offering the commodity for sale, and so many buyers independently bidding for the commodity, that no one seller or buyer could influence the price level in the market; (3) that sellers and buyers would know all or at least many of the offers and bids; (4) that all sellers and buyers would be free to enter or retire from the market; and (5) that as a consequence of the preceding conditions, price would be the only possible inducement for any buyer or seller to consummate a sale. Under such conditions there would be a prevailing market price and it would be impossible for sellers to get higher prices from some buyers than from others. Since no producer could affect the market price, he would maintain his operations at the point at which the additional cost of producing an additional unit would be equal to the market price. It should be noted that "*perfect competition*" means competition solely in price and is sometimes called "*pure price competition*", which is probably a more descriptive term. It excludes the possibility of inducing purchases by selling or advertising activities.

Competition which deviates from the assumed state of facts on which the theory of "*perfect competition*" is based, results in what is called by the economists "*imperfect competition*". This term can be easily misunderstood by the ordinary reader. It may be taken to mean complete lack of competition (that is, "*perfect monopoly*"), or an agreement or other behavior restraining competition in violation of the anti-trust laws.

In fact, however, the term "*imperfect competition*" as used by the economists covers the whole range of conditions between theoretical "*perfect competition*" and theoretical "*perfect monopoly*," neither of which actually occurs in the business world, but which are concepts used in the science of economics for the purpose of analyzing elements of market phenomena. "*Imperfect competition*," therefore, might equally well be called, and is sometimes called, "*imperfect monopoly*." It is merely a term used to describe conditions as they are in the business world, in which there is competition, not only in price, but also in advertising, selling, adaptation of product to the market, and many other factors. The term has no ethical or legal implications, and is used in the sense described above by most economists regardless of their social or political views. Never-

theless, it is difficult in social and economic controversies, to limit the term to its proper definition.²¹

The term "imperfect competition" is particularly misleading to one not versed in economic terminology, since it may be taken to imply that "perfect competition" is a standard of what competition ought to be in the business world. This was certainly not the intention of the classical economists who formulated the concept. "Perfect competition" was assumed to be the result which would follow the presence of the assumed conditions set forth above, but it was not expected that it would or should result in the absence of such conditions, and the classical economists were well aware that there were deviations from such conditions in the business world of their own day, which resulted in "imperfect competition." Consequently, when "perfect competition" is set up as a basis for criticizing current industrial practices, a use is being made of the term which was not intended by the theorists who first employed these words. "Perfect competition" is an abstraction, and exists nowhere.²²

Since deviations from "perfect competition" are universal, and "imperfect competition" merely implies deviations from an abstraction, it is obviously an error to conclude that such deviations are necessarily signs of monopoly, in either the legal or ordinary business sense, or that such deviations can or should be prevented by law.

This discussion of economic terminology has been necessitated by the fact that the classical model of "perfect competition" seems sometimes to be held up as a practical standard, in spite of the manifest absurdity of such a position. There are those who insist that "perfect competition" naturally results from the absence of restraints, that it automatically develops whenever men can be prevented from interfering with its development, and that, when realized, it solves all our economic ills. The criticisms of the basing point practice in the steel industry all stem from the proposition that it results in deviations from "perfect competition," and the proposed alternative, the uniform f. o. b. mill price system, is put forward as a supposed means of realizing "perfect competition."

Both the criticisms and the proposal of such alternative system ignore factors in the steel industry which necessarily produce conditions differing from the assumed conditions of the theory of "perfect competition," and therefore must be expected to result in "imperfect competition" under any pricing system. There will often arise, in discussing separately the criticisms of the basing point practice,

²¹ Professor Edward Chamberlin of Harvard University, in his "Theory of Monopolistic Competition," published by the Harvard University Press, in which he attempts to formulate a concept for studying practical economics based neither on "perfect" or "pure" competition, nor "perfect" or "complete" monopoly, but upon actual conditions, states (p. 10):

"Because most prices involve monopoly elements, it is monopolistic competition that most people think of in connection with the simple word 'competition.' In fact, it may also be said that under pure competition the buyers and sellers do not really compete in the sense in which the word is currently used. One never hears of 'competition' in connection with the great markets, and the phrases 'price cutting,' 'under-selling,' 'unfair competition,' 'meeting competition,' 'securing a market,' etc. are unknown. No wonder the principles of such a market seem so unreal when applied to the 'business' world where these terms have meaning. They are based on the supposition that each seller accepts the market price and can dispose of his entire supply without materially affecting it. Thus there is no problem of choosing a price policy, no problem of adapting the product more exactly to the buyers' (real or fancied) wants, no problem of advertising in order to change their wants. The theory of pure competition could hardly be expected to fit facts so far different from its assumptions."

Professor Frank H. Knight in his "Risk, Uncertainty, and Profit," page 193, states that under economic theory practically every business is a partial monopoly, and points out that, in view of this, it is remarkable that the theoretical treatment of economics has related so exclusively to complete monopoly and perfect competition.

²² In the proceeding now pending against the cement industry, Dr. Jacob Viner of the University of Chicago, a witness for the Federal Trade Commission, testified as follows:

"Q. Will you describe for us just what you mean by 'fully competitive' method of selling? What are its requisites? A. Well, its appearance would be that of a movement downward of price at any time when orders were flowing in less rapidly than the capacity of the—the comfortable capacity of the plants of the producers to meet them, and the movement up of price, whenever orders were coming in at a quantity such as to press the capacity of the plant at the existing price, the requisites of the existence of such a state of affairs would be the existence of a substantial number of producers so that what anyone—of substantial coordinate importance or unimportance—so that what one individual producer should do would not be a matter of substantial concern to any other producer in the industry, and so that this group should behave as individuals rather than in a concerted fashion through arrangement. Q. Would you say that those are all of the requisites needed for the existence of complete competition, Doctor? A. I think so. Q. Now, again, will you list for us all of the industries that use what you call a fully competitive method of selling?

A. I would say there are very nearly none at the present moment. I won't vouch for there not being one. I would say that wheat is still very near—wheat growing—very near a fully competitive industry, but I would not say that it is quite that, because of Government interference. And so with oats, and barley, rye, and hay, although hay may be. I don't think that hay is under any sort of control, but you would have to hunt for them, I will say that. You will have to hunt for them, they are not easy to find now. Q. So, at the present time, you have not such knowledge that would enable you to say—to make such statement, as I understand it? A. That there exists. Q. A fully competitive industry?

A. A fully competitive industry. Q. Yes. A. No, there does not. See Record of proceedings of the Federal Trade Commission against Cement Institute, et al, pp. 15814-15817.

the question of whether a given departure from the assumed conditions of "perfect competition" is due to the basing point practice or to some fundamental economic trait of the steel industry. Likewise, in discussing the proposed uniform f. o. b. mill price system, the question will often arise of whether such system is compatible with the fundamental economic traits of the steel industry. It seems pertinent, therefore, to consider briefly these economic traits.

(a) *Geographical Separation of Producers.*

The more important raw materials for steel,—iron ore and coking coal—are concentrated in a few deposits. Iron ore is found principally in Minnesota and other States bordering on Lake Superior, in Alabama, and in restricted areas of the West. Coking coal comes, for the most part, from the fields of Pennsylvania, West Virginia, Kentucky, and Alabama. Limestone occurs more generally throughout the United States. When using ore of high metallic content, it takes more than 4 tons of raw materials (including coal for power and heating purposes), to produce one ton of finished steel. Consequently it is necessary to locate steel mills in areas where raw materials can be assembled at a low cost.* This is a factor of greater importance than nearness of the steel mill to important markets. The NRA Committee which studied the operation of the basing point practice under the Code concluded:²³

"* * * the principal producing centers will always be confined to those areas within which assembly costs are lowest, such as the general Pittsburgh and Ohio River District, the Great Lakes cities, the Birmingham District, and Eastern Pennsylvania and Maryland. Steel producing outside such minimum cost assembly areas must be limited to the availability of low cost melting scrap."

Assembly costs of raw materials limit the construction of economical integrated steel plants to a few areas, resulting in steel mills often at great distances from each other. Most steel products are now produced in the Pittsburgh-Youngstown district, the Buffalo district, at Sparrows Point, Md. and in the Philadelphia-Bethlehem district, at Chicago-Gary, and at Birmingham, Alabama, although some products are also produced in Colorado and on the West Coast and, in smaller quantities, at other points. Producers so widely separated from each other, with differing freight costs to the areas of demand, do not at all resemble the picture of a "perfectly competitive" market, which assumes many sellers and many buyers in close contact with each other, such as upon the floor of a stock exchange.

(b) *Size of Plants.*

Large scale integrated operations produce steel at a lower cost per ton than small ones. Furthermore, a mill large enough to produce a diversified list of steel products has merely by reason of such size a large tonnage capacity. Therefore, the size of individual plants and the amount of the investment therein have grown enormously, and at the same time there necessarily has been a reduction in the number of integrated producers of steel. Today there are about a dozen such companies in the country. To obtain the even flow of orders required to keep these large mills operating at a satisfactory rate and thus achieve a low unit cost, it is necessary that their products be sold in areas where the demand therefor exists, even though outside of the local district surrounding the mill. As a consequence, every seller of steel products must consider, among other things, the effect of his price policy upon the steel markets of the country and he must take account of what other sellers will do if he raises or reduces his base prices. He does not limit his reflections to the probable reactions of producers near at hand, but must consider, as well, possible responses of producers far away. In all of these ways the steel industry in actual operation varies from the assumed conditions underlying the theory of "perfect competition."

(c) *The Nature of the Demand for Steel.*

Demand in a "perfect" competitive state is assumed to be concentrated in some market. The demand for the diversified products of a large steel mill is not concentrated in any one market or any few markets, and the pattern of the demand for each of such diversified products presents peculiar characteristics. The demand for certain grades or classes of sheets and strip shows a high degree of concentration in the Detroit area, with lesser degrees in the Philadelphia, Chicago, Cleveland, and Cincinnati areas, while for other grades or classes the demand is scattered or concentrated elsewhere. Fabricated structural steel is sold prin-

* It is also necessary to have available large quantities of water, principally for cooling purposes.

²³ NRA Report, p. 12.

cipally in the large metropolitan areas, and important unpredictable fluctuations occur in the relative demand in such areas. Furthermore, from time to time the heaviest demand shifts to widely scattered areas where important structural jobs are undertaken. Very similar products are destined for the east and west coast shipbuilding industries, and the central Pennsylvania railroad carbuilding industry. Tin plate demand is somewhat concentrated in a few markets, such as New York, Chicago and the West Coast, but is largely scattered among various areas where different types of canning industries are located, and to a high degree the demand in the latter areas is subject to seasonal shifts and fluctuations. Some tubular products have a widely scattered distribution, while others, such as oil country products, move principally to the Texas and Oklahoma oil fields, or those of the West Coast. To effect low cost operations, each producer attempts to operate his mills at as high a rate of production as possible. To do so, he must have a diversification of products, as it is dangerous to establish integrated facilities merely to produce a few finished steel products, and to sell such products he must reach the actual markets of the country, however widely separated they may be. Also, he must have access to the most important markets for individual products in order to avoid seasonal and other shifts and fluctuations in demand.

The demand in a "perfect" competitive market is supposed to be divided among the many buyers, none of them large enough to affect the level of prices. The demand for many important steel products is concentrated in the hands of a relatively few large buyers, such as the automobile and container companies, whose requirements are an appreciable part not only of the market for particular products, but also of the whole steel market. Accordingly, the requirements of these large buyers may affect price levels, which is quite at variance with the theory of "perfect competition".

In a theoretical "perfect market", demand is assumed to have some degree of elasticity, that is, consumption is assumed to increase or decrease in response to decreases or increases in price. In the steel industry this degree of elasticity is extremely low; the demand for steel is very inelastic. Since the cost of steel is only a small part of the total cost of the finished consumer product, the price of steel has very little effect upon the ultimate consumer demand.²⁴

Under "perfect competition", the demand for the product of an individual producer (as differentiated from the product of the industry as a whole), would be infinitely elastic, since uniformity of product and indifference of buyers and sellers to any factors except price are among the conditions assumed. Thus each producer's participation in the total business would increase without limit if his price were below (or decrease to zero if his price were above) the prevailing price. Obviously this condition of "perfect competition" does not exist in most industries. Advertising, trade names, style preferences, geographical distribution of sellers, etc., have tended to reduce the elasticity of the demand for the product of individual producers. For example, advertising and trade names enable sellers of cosmetics, tooth paste and other similar commodities to hold customers, within limits, even though their prices are above the prevailing level for such commodities. In the steel industry, contrary to the general circumstance, the underlying conditions make for a high elasticity in the demand for the product of an individual producer. Since buyers are good judges of the quality of steel, intense competition, assisted by the science of metallurgy, has caused great uniformity in the products of all steel producers. Customers generally order in large quantities, which makes a small price cut worth bargaining for. Consequently, a small difference in price will shift large orders from one producer to another, but will not increase the total consumption of steel.

Thus, the demand for steel is dispersed over wide geographical areas, and is to a great extent concentrated in the hands of a few large buyers whose individual requirements and bargaining powers are often large enough to affect the level of prices. The demand for steel substantially resembles one of the assumptions of "perfect competition," in one respect, namely, that any individual producer's participation in the market responds very quickly when he names a price below the prevailing level. The producers with higher prices simply lose this piece of business. However, reduction in price does not materially affect the total quantity of steel which the market will absorb.

²⁴ On the other hand, differences in prices paid by competing manufacturers for the steel used by them is an important consideration. A large disturbance in the relative market levels in different important markets for steel products, such as might be brought about by a uniform f. o. b. mill price system, might seriously affect the competitive position of some manufacturing customers of steel mills.

(d) Fluctuations of Demand in the Business Cycle.

The concept of "perfect competition" assumes conditions not corresponding to reality and ignores some major complicating factors. In particular, it assumes a fairly steady and predictable rate of demand for various products, thus ignoring cyclical fluctuations in demand. This is a fatal omission in the application of the theory of "perfect competition" to problems in which the business cycle is important. Experience over a long period of time has shown that the demand for durable goods, including steel, fluctuates violently, and in a manner which makes it almost impossible to predict the occurrence and degree of such fluctuations. If a durable goods industry is built to supply the peak or near peak demand of the business cycle, it will necessarily have a large amount of idle or unused capacity during other phases of the cycle. Likewise if it is built to supply only the demand at the lowest point, or even the average demand, it will be unable satisfactorily to serve the consumer during the higher phases of the cycle.

Fluctuations during the past two years furnish a striking example. According to weekly estimates collected and distributed by the American Iron & Steel Institute, ingot output was at 92.3% of capacity for the week of April 26, 1937, a high for recent years. By December, 1937, it had dropped to 19.2% (week of December 27), the low for recent years. After fluctuating between 22.4% and 62.6% during 1938 (weeks of July 4 and November 14), the rate was 38.5% in July, 1939 (week of July 3). The rate rose to 63% for the week of August 28, 1939 and for the week of October 16 reached 90.3%, a high since April, 1937.

(e) Costs in the Steel Industry.

Under "perfect competition," as demand decreased and prices fell, the producer with the highest costs would be driven from the market, at least temporarily. The price would stop falling when it reached the level which would keep in business the marginal producer, i. e., the highest cost producer whose production was required to meet the existing demand. The price level at all times would be just above the additional cost of producing the last unit necessary to supply the demand, regardless of whether or not this price covered the average cost, including overhead, of producing all units.

A large proportion of the costs in the steel industry are overhead costs, which must be met, no matter how much or how little steel is produced. The additional cost of producing additional units, however, remains fairly constant at all levels of production up to very near capacity production. Thus, while the overhead costs per unit decrease as the rate of production increases, nevertheless the average cost per unit, including overhead, remains considerably higher than the additional cost of producing additional units, from a low level of production to very nearly the point of capacity production. As a result of these factors, under "perfect competition," in a period of decreasing demand and falling prices, the level of steel prices would almost immediately reach a point, which, while still just above additional costs, would be below average costs.

High overhead costs, the very large expense incurred in shutting down and starting up mills and departments of mills, and the costliness of intermittent operations, and the disruption of working forces caused thereby, also make it virtually impossible for producers to retire from the market in a period of falling demand and subsequently to re-enter the market as demand increases. Even high cost producers will try to keep on producing and selling as long as the price realized is more than the additional cost of producing additional units, even though such price may be considerably below average cost, since overhead continues and thus any long continued retirement from the market means bankruptcy and permanent retirement. These results and the causes thereof were not contemplated in the theory of "perfect competition."

(f) Cyclical Fluctuations and Overhead Costs.

When the effects of large overhead costs are considered in conjunction with the extreme cyclical fluctuations which are characteristic of durable goods industries, it can readily be seen that the results would be disastrous, if "perfect competition" prevailed. In the early stages of the downward phase of the cycle high cost producers would find themselves losing more than their overhead costs and would soon be forced out of business. Lower cost producers would lose most of their overhead, but rather than retire immediately, would continue producing as long as

prices were just above additional costs and thus contributed something towards overhead; and, as a direct consequence, even the lowest cost producers would be unable entirely to cover their overhead costs. In other words, the inability of producers to retire from the market, except permanently, would keep some producers in the market long after the point at which they should have retired under the theory of "perfect competition," and the lowest cost producers, who, under the theory of "perfect competition," should be operating at a level which would enable them to more than cover average costs, would be unable to operate at such level and would be losing a portion of their overhead costs. As the cycle reached its lowest level there would be not only an elimination of high cost producers but a great risk of throwing all of the industry into bankruptcy.

Furthermore, as the upward phase of the cycle began, the producers remaining would not have capacity to meet the demand, and prices would tend to skyrocket. If the upward phase continued long enough, additional capacity might be created, but the time required to build or rehabilitate steel mills and the difficulty of attracting the necessary large capital under such conditions would at least delay for a long time any increase of capacity. These results—periodic alterations between extremely low prices and bankruptcy of most producers, on the one hand, and entirely inadequate capacity with extremely high prices, on the other hand—were certainly not contemplated in developing the theory of "perfect competition." Such results are certainly not socially desirable from any point of view. They are the effect of applying to short run cyclical changes, a theory based on normal adjustments during long term changes.

2. PRICE LEADERSHIP

A common charge against the basing point method is that it facilitates "price leadership". Critics claim that there exists price leadership by a large company or companies and that the prices established by price leaders are enforced by retaliations against competitors for price cutting or for other forms of local initiative in prices. For example, the Federal Trade Commission said in the statement recently submitted to the Temporary National Economic Committee:²⁵

"Free initiative in the sense of trying to get business by offering advantages to the consumer is not only restricted under the basing point system, but is regarded as an offense, subject to the danger of retaliation by the industry.

"If a mill merely follows the price leaders in a generally observed price system, it has relaxed from competition, and is trusting to some more subtle influence to provide its share of the business. Initiative means leading the price in its own area, and leading it down to the level at which the area of the local mill is effectively protected by freight costs against the loss of its profitable business. Initiative in the form of local self determination is seldom, if ever, found today in the steel industry.

"Local initiative is frowned upon by the the leaders of the industry. In 1930, a steel industry leader deplored that 'several months ago price instability was permitted to come into our commercial relations'. Another high steel executive, saying that price cutting kills business, added: 'We have got to be honest.' The potential punishment for any serious attempt to violate the basing point price system is price raiding, that soon brings the rebels to terms. It is vital to an understanding of this situation to make clear the ethics on which it is based."

In answering this charge, certain features of the steel industry should be examined which are independent of the basing point method. First, separate steel producing units are large and diversified as to products. There are only a few of them by reason of the huge investment required therefor and the restricted areas in which they may be economically operated. This means that each producer in an endeavor to safeguard his own investment will consider the effect of his actions upon the market. Secondly, the large size of individual orders and of individual buyers gives the buyers great bargaining powers and means that buyers can often influence the course of prices. The consequence of these facts is that each seller is apt to meet any price reduction because, owing to the standard quality of the products of the various mills, a failure to meet a lower price would probably result in the seller not sharing at all in the business, with consequent heavy loss to him. In times of good demand, this factor, together with the expected business demands has a tendency to continue prices at the published levels. In times of poor demand, on the other hand, the pressure of high fixed costs and the desirability of maintaining a satisfactory operating rate,

²⁵ Federal Trade Commission, "Monopoly and Competition in Steel", p. 11.

result in an effort to obtain additional business through unannounced lower prices in spite of the certainty that such reductions will become known and will be met by other mills. Price increases are governed by somewhat similar considerations. If a producer initiates an increase in prices which is not followed by other producers, he will usually lose heavily. Consequently, although increasing demand and rising costs of raw materials and labor may make a price raise advisable, producers of small or average size may be disposed to wait for the larger producers to initiate the change.

A third consideration is the nature of costs in the steel industry. Price competition in steel is more risky than the classical theory of "perfect competition" contemplated. As shown above, the lowest possible level of prices at which a producer will continue to produce and sell steel is just above the marginal producer's additional production costs for the additional units so produced and sold, and less than his total cost. At this price level, which contributes little or nothing toward overhead, no company can long survive financially. Considering that this fact is well known to steel producers, its influence in discouraging price cutting is obvious.

If the foregoing describes what is meant by "price leadership", such a state of affairs does not originate from or have any relation to the basing point practice, but is the consequence of the above mentioned economic factors.

The relation of the basing point method to price leadership of this character was summarized in the NRA Report, as follows:²⁵

"The basing-point system clearly facilitates the use of the open-price system of price quoting. This system is openly defended as a means of putting competition on a basis which will yield higher prices than would result without it. According to the advocates of the system, this does not mean monopoly prices, but normal competitive prices which can be steadily maintained and will not naturally tend to degenerate into cutthroat competition as discriminatory price cutting without system or order is prone to do, especially if discriminatory prices are secret. Such a condition cannot last, but leads to informal agreements which in turn cannot last, and thus the natural result is an unhealthy alternation between profiteering and destructive warfare. An open-price system could be carried out under any kind of orderly price structure, or even a disorderly one; but it has its fullest effect if each producer knows the delivered prices he has to meet at each purchasing point.

"The basing-point system serves this end particularly well by furnishing a relatively simple formula by which these delivered prices can be calculated. The system tends to restrain cutthroat competition both by informing each producer precisely what prices he has to meet at each consuming point, and by causing changes in prices by any producer to apply to his whole business in his own basing-point area, with the result that he is practically forced to figure on a price which will cover total costs and not disregard his overhead costs as he is likely to do if figuring a special price for a limited area."

The charge of the Federal Trade Commission, however, goes beyond a mere general accusation of price leadership and asserts that price leadership is centralized, and has stifled local initiative in prices. This charge cannot be sustained. The NRA Committee concluded that no one company exercised full leadership:²⁷

"There seems to be no invariable rule as to what companies take the lead. Cases systematically canvassed show too few price changes to afford an adequate basis for generalizing, but general observation indicates that certain producers more or less habitually take the lead in certain products and other producers in other products. There is no consistent price leader for the entire industry."

Basing points for various steel products have sprung up all over the country since the early 1920's. Every steel producer is free to name basing points at his own places of production, and many of them have done so. Such producers can and do lead in the establishment of prices at their own locations. The basing point method, consequently, has not stifled local price initiative, but, on the contrary, supplies it with an effective means of expression.

The forces which have produced price leadership of this kind in the steel industry would probably have done so under any system of orderly selling. Assume, for example, that a uniform f. o. b. mill price system were adopted. No mill could absorb freight, and its sales would be confined to the area in which its mill price plus freight would be lower than the delivered cost of steel from any other mill. Boundaries determined by the relative level of mill prices at different locations would be drawn around each mill, defining the area in which it could sell its

²⁵ NRA Report, pp. 134-5.

²⁷ NRA Report, p. 139.

products. These boundaries would depend, not upon the absolute level of prices, but upon the relative levels of prices at different locations. A five, ten or twenty dollar increase at every mill would leave the market territory of each unchanged, but would enhance the mill net return of each mill by the full amount of the increase. Under such conditions, price leadership might well flourish, particularly after the lapse of time had denied the normal market territories of the different mills.

The basing point method does not cause price leadership. The economic causes which have produced such price leadership as today exists, if any, would also produce a similar condition under other circumstances and notably under a uniform f. o. b. mill price system. The basing point method has not eliminated local price initiative, for it leaves to the producer at each location the power to decide whether the location of its mill shall be a basing point and what base prices shall be named at such basing point.

3. ELIMINATION OF COMPETITION

(a) *Identical Delivered Prices.*

Charges that the basing point method is a device for eliminating competition are frequent. The Federal Trade Commission is one of the most earnest proponents of this view. For example, the Commission has stated:²⁸

"The statement that the basing-point system is intended to destroy and does destroy all opportunity to buy at other than an identical delivered price regardless of where purchased is emphasized by a study of prices quoted and received by the industry in actual transactions. Private buyers state that there is no price advantage in buying from one steel producer rather than another, since only delivered prices are obtainable, and that these are identical at any given destination, regardless of natural advantages of particular buyers or sellers and regardless of differences in cost of production and delivery."

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"This extreme range in prices is the automatic result of a system (an offspring of the Pittsburgh plus system) by which producers reciprocally forego their advantages of location and then set up the specious claim that thus any producer anywhere may 'compete' with every other producer everywhere. The result is price discrimination and a more or less permanent differential treatment of buyers in what would otherwise be a common market. It is economically indefensible as free competition and provocative of social unrest. Yet it is defended by the industry as an 'open price plan', 'open competitive plan' and even as a 'one-price plan', 'similar to that of retail trade'."²⁹

The fact that many producers can and do compete in every important market is taken by the Federal Trade Commission as proof that competition does not exist:³⁰

"As to the monopolistic effect, the witness takes this credit to the system, namely that it 'does not permit any producer to monopolize any piece of business', since the mill 'can go to every place in the United States to compete for whatever business may be offered'. * * * The obvious rejoinder to this defense of the system is:

"(a) Whatever 'competition' may exist under these circumstances is in something other than price.

* * * * *

"(d) The alleged freedom from monopoly is absurd. The prices are monopolistic in the true sense. The system may give many an opportunity to bid, but the privilege given to the buyer to choose between mills at Birmingham, Chicago, Pittsburgh, and eastern Pennsylvania *at precisely the same delivered price* is the negation of that freedom from monopoly which must be restored if the consumer is to be enabled to return to the market."

These excerpts are taken from the Federal Trade Commission's Report to the President, published in November, 1934. In the pamphlet "Monopoly and Competition in Steel", issued by the Commission during the March, 1939,

²⁸ Federal Trade Commission, Report to the President with respect to the Basing-Point System in the Iron and Steel Industry, pp. 4-5. This report, hereinafter cited as the "F. T. C. Report", was rendered in 1934, when the industry was operating under the NRA Code. Many of the charges against the basing point system published in this report have since been reiterated by the Commission.

²⁹ F. T. C. Report, p. 14.

³⁰ F. T. C. Report, p. 16.

hearings before the Temporary National Economic Committee, the charges were reiterated:³¹

"To the customer, at his location, there is no difference between the quality and delivered price offered by all the bidders. Occasional variations from this perfect identity are observed, but only during short periods when there was a temporary flurry of price cutting. Such flurries have been an incident of practically all price-fixing systems. They occurred even in the days of signed price agreements in the steel industry.

"On the surface, the producers approach the consumer with a united front. Competition in such crude matters as price and quality has been put aside, and all that seems to remain is a gentlemanly emulation in the art of making friends and influencing people."

A related series of charges have arisen in connection with alleged identical bids. When a government agency or subdivision calls for bids on a certain quantity of steel delivered at a certain place, identical bids may result. This occurred frequently under the Code, and it has also occurred since the NRA was declared unconstitutional.

The Federal Trade Commission has said:³²

"The Federal Government is probably in as good a position to obtain competitive prices as any other buyer. The statutory requirements and administrative safeguards thrown about competitive bidding, the volume of its purchases, its ability to get special rates on land grant railroads, and numerous other factors unite to make of it a buyer which can get competitive prices if any buyer can. Against the price-fixing combination of the steel basing-point system, however, the purchasing agencies of the Federal Government are helpless. They have been reduced to the impotence of having to select the successful bidder by lot because the bids are identical."

In "Monopoly and Competition in Steel", the Commission made the following statement, under the heading "Indicators of Monopoly":³³

"If identical or close bids on delivered steel are received from mills at different distances from the buyer, there is a presumption of monopoly, unless the facts can be explained by differences in cost of production. The only locations at which the receipt of closely similar bids, from diversely situated mills, can be disregarded as indicators are on the borderlines between producing areas."

Briefly summarized, the argument of the Federal Trade Commission is as follows: Price competition has been eliminated in the steel industry; this is evidenced by the uniformity of delivered prices quoted at each destination by mills at different distances from such destination; the basing point method is the collusive medium used to bring about such identity of delivered prices. None of these statements is in accord with the facts.

It is not a fact that identical delivered prices are universally charged by all producers, particularly in times of low demand. Price cutting is frequent, and since it is not announced, is not immediately met. If such price cutting continues, it becomes known and other producers, if they wish to be competitive, and to share in the available business, must meet the lower prices. In this way a lower general level of prices may be established, and various producers for a time may again quote identical delivered prices.

Identical quotations probably occur more frequently in sealed bids to governmental bodies than in private sales of steel products. There are two reasons for this: (1) The sealed bid practice required by statute prevents public agencies from bargaining individually with producers as is usually done by private buyers; (2) Sealed bids are eventually published, and although a producer may be willing to quote a lower price on a private sale, he is reluctant to do so when he knows that such lower price will soon be published and possibly may have to be made applicable to every similar ton of steel sold by him in the future. Nevertheless, in spite of this tendency, identical bids on governmental contracts are by no means the general rule. An examination of records, covering Federal Government awards for steel products made at Washington, D. C. during 1938 and the first quarter of 1939, indicates that such awards aggregated approximately \$10,550,000, of which about 80% in value went to the lowest bidder and only about 16.5% in value by lot on account of identical bids. The balance of 3.5% was awarded on a basis other than of price.

³¹ F. T. C., "Monopoly and Competition in Steel", p. 2.

³² F. T. C. Report, p. 5. See also Appendices A & B.

³³ Statement submitted by Federal Trade Commission to Temporary National Economic Committee, p. 6.

Furthermore, it is quite erroneous to imply, as does the argument of the Federal Trade Commission, that identity of prices at any given time is necessarily evidence of absence of price competition. Quite the contrary is true. In any competitive market, the price quoted by different producers at any given time for any staple product will naturally tend to be uniform.

In times of good demand, and to some extent at other times, producers at different distances from the destination may quote identical delivered prices. The basing point method is not *per se* the cause of identical bids. It is of course true, whenever the identical delivered price quotations occur at the exact level of published base prices plus freight, that all producers making such quotations have used the basing point method of computation, but identical delivered price quotations do occur at levels lower than the sum of base price and freight from the applicable basing point, such quotations being based upon market prices on like steel products at the destination as reported by sales representatives. Identical delivered price quotations would occur under any free competitive system to the extent that competitors' bids could be estimated, since buyers refuse to pay more to one producer than to another for a staple product. It is even too broad a charge to say that the basing point method *per se* makes identical bids possible by enabling producers to determine competitors' prices, since the same would be true of any open price method.

It is charged by the critics of the steel industry that the quotation of identical delivered prices proves the elimination of competition, because under "perfect competition" such a thing could not often happen, i. e., the different transportation costs would usually cause different delivered prices. This charge assumes that there are only two alternatives, "perfect" competition, and the complete absence of competition, or monopoly. It does not recognize the existence of the vast range of phenomena between theoretical "perfect competition" at one extreme and "perfect monopoly" at the other. Neither identical delivered prices, nor delivered prices of any kind, accord with the theory of "perfect competition" because such theory assumed a freightsless market in which neither seller nor buyer needed to be concerned with transportation costs. In the steel industry, both seller and buyer must take into consideration the cost of transportation of steel. This factor produces competition where the steel is to be used, and thus upon a delivered price basis. In turn, such competition tends to result in identical delivered prices. An examination of the importance of the factor of transportation costs, from the point of view of producer and consumer, clearly shows that these tendencies do not result from monopoly and are not symptoms of monopoly.

First let us take the point of view of an individual producer with one integrated mill located, say, at Pittsburgh. This producer has base prices at Pittsburgh for the various products made at his mill. He has located at Pittsburgh primarily because of the low assembly cost of raw materials at Pittsburgh. He has developed a large pig iron and steel ingot capacity because of the need of achieving low costs, and in order to provide an outlet for his steel making capacity he has attempted to secure diversification of product by various rolling and finishing facilities designed to produce a number of different steel products. A large part of his total output is sold within a hundred miles of Pittsburgh, at delivered prices which yield him a mill net return approximately equal to his base prices. But he cannot dispose of his entire tonnage there, partly because many other producers are also located at Pittsburgh, and partly because he makes some products which are not in demand in that area, in order to have the necessary diversification of product. Therefore, he sells part of his output in areas farther from Pittsburgh and nearer to other producing centers, which also have base prices for similar products. On this more distant business he cannot hope to get more than the delivered prices quoted by the nearer mills, and he therefore meets those prices. This forces him to absorb freight, taking a lower mill net return than he realizes on the similar business nearer to Pittsburgh. Because his mill net return is already lower on this business, he is not apt to cut the prices quoted by the nearer mills—he is usually content to meet such prices of his competitors. Substantial identity of delivered prices results.

Examining now the buyer's side of the market, it is evident that the cost of steel delivered where the buyer wants to use it is the total cost of the steel to such consumer—the only cost in which he is interested. Under a f. o. b. mill price system, the buyer would add freight to the mill price and buy from the source which permitted the lowest delivered cost. Steel products for the most part are in the nature of staple commodities and the product of one mill does not differ substantially from that of another mill. Consequently, it is to be expected that the various mills will compete in meeting the lowest delivered prices to the different buyers, and that the identity of prices which would result from "perfect competi-

tion" in a single market at any one time will take the form of identical delivered prices in the steel industry. Critics charge, however, that identical delivered prices do not conform to the expected results under the theory of "perfect competition" because the mill net returns of different producers quoting the same delivered price at one location are not the same. This charge is unrealistic. It has been pointed out that the theory of "perfect competition" assumed a freightsless market. It seems obvious that all of the expected results of the theory of "perfect competition" cannot be satisfied in an industry in which delivery costs are an important part of total costs, and in which the producers are geographically separated from each other, while the demand for the product is widely scattered over large areas.

To anticipate the discussion of alternative systems, it may be noted that the uniform f. o. b. mill price system with the elimination of freight absorption, which the Federal Trade Commission proposes to impose by law or mandate, would by definition prevent identical delivered prices. It would do so because the system would inherently prohibit or prevent competition at more than a few destinations at any given time. The areas in which mills might compete would be limited by the relative freight rates from such mills regardless of the relative levels of mill prices. Producers located close together might compete in a comparatively large area to which the freight rates from their mills were the same. In such an area, it is certain that identical prices at each mill would prevail, since otherwise the mill with the lowest price would obtain all the business. Competition between such closely located producers might well be less vigorous than at the present time when other mills also compete in such area. With respect to mills located at a distance from each other, competition would be limited to the boundary between the market territories of such mills. The boundary of each mill's territory for each product, or most products, would be different. Such boundaries would be expected to shift from time to time in accordance with changes in the relative levels of mill prices, but at any given time would embrace only a very few points. Unless such points happened to be important markets for the product in question, by the accident of freight rates, there would be little or no competition between the mills. Thus, while buyers located near a group of producers might be expected to enjoy competition between the local mills, the probability of competition would be reduced, since the number of competing producers would be less than at the present time, and in many areas in which a single producer was located, there would be a virtual monopoly.

The NRA Report thus contrasted the two systems:³⁴

"The outstanding characteristic of the basing-point system is the fact that it puts rival producers on a footing of price equality with each other in all the consuming points over a wide area, instead of merely at the boundary lines of their respective market areas, as under the unqualified mill-base system. It thus increases the number of producers the purchaser has to choose from and who are competing for his business, and widens the areas over which direct competition acts. This fact is hardly open to question."

Although it may be admitted that there are deviations from theoretical "perfect competition" in the steel industry, it does not follow that price competition has been eliminated through the use of the basing point method, or that identical delivered prices are symptomatic of the absence of price competition. Price competition has been, and is, vigorous at all principal consuming points. The basing point method permits many producers to compete on the basis of price, quality, service and other factors at every market location, thus enabling the buyers to induce price concessions by trading one producer's prices against another's. The uniform f. o. b. mill price system would clearly reduce the areas of competition and would by no means be certain to increase the degree of competition in the areas in which it would permit competition. It seems obvious that it won't produce less real competition than exists under the present method.

(b) *Where is the Market for Steel?*

The insistence of the Federal Trade Commission that delivered prices and the general identity of such delivered prices at consuming points establish lack of competition, and the further insistence that uniform f. o. b. mill prices should be required, are obviously manifestations of a belief that the market for steel is, or should be at the mill, and is not, or should not be, at the destination. This belief has apparently been derived from the theories of Professor Frank A. Fetter.

³⁴ NRA Report, p. 143.

Under the theory of "perfect competition," a market was assumed to be at a given place, with many buyers and sellers present, and with the goods to be sold actually present in the market or represented by saleable documents. Professor Fetter in his "Masquerade of Monopoly," after summarizing the history of the older fairs and markets, states:³⁵

"Every real market is a concrete thing, an actual place where traders gather, to which actual goods or certificates of ownership are brought for sale and delivery, where special facilities for trade exist, where buyers and sellers alike have an opportunity to learn and know the amounts and qualities of goods present and the probable intentions of other traders, where traders are forbidden to get apart and trade outside, and where they act independently, without collusion with each other, and without discrimination against any traders on the other side. If we imagine all these conditions to be completely attained we get an idealized picture of a market, and in the degree that these conditions are imperfectly realized, any particular market falls short of the ideal.

"Against one alteration in this ideal picture of markets a warning is especially needed. A market must not be thought of either as the various places or as the whole area to which the goods are taken or delivered after sale."

It would seem equally appropriate to warn against thinking of a market as the place where goods are produced, at which point they cannot be used, but must first be transported to another place.

The differences between prices in the theoretically "perfect" market and delivered prices quoted under the basing point practice has led to the assertion that uniformity of prices in the first is a sign of competition, while in the second it is a sign of monopoly. Thus Professor Fetter, in the March, 1939, hearings before the Temporary National Economic Committee, testified as follows:³⁶

"It is a market in the sense that numerous buyers are there; they are watching each other; they overhear each other, and consequently the fundamental uniformity is a uniformity in the treatment of one's own customers, of the customers of each seller.

"Now there follows from that a secondary uniformity, namely a uniformity in the prices that the different sellers are charging, but I believe this to be less fundamental for the reason that if any one of the sellers thinks that price is too low he temporarily withdraws from the market. He simply continues to quote a somewhat higher price, expecting that the conditions of the market a little later will bring a higher price.

"Therefore, for the time being, he has a reserve valuation that is a little higher than the market price, the going market price, and if he has figured it right the others have sold out at a little lower price and then his stock will sell at the higher price.

"So we can say there is uniformity in a general sense, a tendency toward uniformity, both as between the buyers and as between the prices quoted and received by the sellers, but the second uniformity is a somewhat less accurate one than the other.

"So we have laid down practically the test of a true market by the economists, a price uniformity there. That has no reference whatever to a delivered price, nor is it a uniformity in the price quoted at places outside of the market."

Professor Fetter is here discussing the theoretical "perfect" market, one of the assumed conditions of which is the ability of a seller to retire temporarily from the market if the price is too low. It has been shown that this condition does not prevail in the steel industry, at least in the majority of instances, where large orders are involved. Because of this assumed condition alone (since no other reason is given), Professor Fetter concludes that uniformity of the prices of different sellers is unimportant, although clearly the market would not be competitive unless the prices of most sellers were uniform at any given time. He concludes, on the other hand, that uniformity of each seller's return is essential. This conclusion may perhaps be tested by considering possible situations which might arise, not in the theoretical "perfect market," which is merely an economic concept, but in the older fairs and markets which were taken as a model. It does not violate credibility to presume that some of the sellers in such markets frequented several markets, at differing distances from the place of production of the goods, and that some transportation costs to the markets were involved. The price at which such a producer would sell in each such market would be determined, not by the difference in transportation costs, but by the competitive

³⁵ F. A. Fetter, "Masquerade of Monopoly", published by Harcourt, Brace & Company, Inc., p. 261.

³⁶ Record of Proceedings of Temporary National Economic Committee, The Bureau of National Affairs, Inc., March 7, 1939, p. 329, (hereinafter cited as "T. N. E. C. Record").

price in each such market. Buyers in one market would often pay this producer a different price than buyers in another market, and his return, less transportation costs, would be less. Prices of all sellers at each market would tend to be uniform, but the returns to the particular seller would tend to vary. Of course, the older markets and fairs were not "perfect markets," but merely the nearest approach to the theoretical concept of a "perfect market."

Assuming that Professor Fetter has accurately described a "perfect market" as it was defined by the older economists, he has taken the further step of assuming that that definition is or was intended to be a norm, or standard, to which all industries should conform. The economists who developed this concept did not intend it as a standard, and they were well aware that no "perfect markets" actually existed in the business world even of their day. Thus Professor Fetter's attack upon the basing point method is founded upon an unsupported assumption.

Professor Fetter, continuing his analysis, asserted that the true market for steel is at the mill, and that if the mills were compelled to quote uniform f. o. b. mill prices, without "phantom freight" or freight absorption, "perfect competition" would result. Hence arises the contention of the Federal Trade Commission, that the true market for steel is at the mill, and that the basing point method, by providing a means for quoting delivered prices at each buyer's destination, has destroyed or injured the market and eliminated competition.

Professor Fetter's insistence that the existence of identical delivered prices alone, and in and of itself, establishes monopoly, regardless of other economic considerations, is shown by subsequent statements made during the March, 1939, hearings before the Temporary National Economic Committee. After remarking that it is always difficult to tell whether business men are actually fixing prices, he concluded:³⁷

"* * * If what they are doing is what they would do if they got together and made a formal agreement, then we should treat that as a formal agreement.

"Mr. Hinrichs. Your primary test, Professor, of behavior would be what? Would it be the establishment of a breakeven point for an industry when it is operating at an extremely low percentage of capacity? Would that be the primary test of whether the price were a competitive or a non-competitive price?

"Professor Fetter. No, let's stay here at home; it would be quoting identical delivered prices."

Even if the uniform f. o. b. mill price system were put into operation, the result would not be "perfect competition," since the conditions under which "perfect competition" was expected to occur do not exist in the steel industry. Professor Fetter makes no attempt to explain such differences, or to prove that his theory would work satisfactorily in spite of such differences. Aside from this, however, his conclusion that the market is at the mill must be doubted. If there is any true market for steel, it is at the buyer's door. As transportation costs cannot be disregarded, every buyer, under any price system, will look to the delivered price at his door, and not to the f. o. b. mill price fifty or five hundred miles away. Since delivered prices are the principal concern of the buyers, competition between steel producers naturally takes the form of meeting the others' delivered prices. Certainly, there is no approach to this assumed condition of a true market at the mill.

(c) *High and Inflexible Prices.*

The Federal Trade Commission stated in 1934 that base prices for steel were too high, and that the basing point method made them inflexible. An example of such a contention follows:³⁸

"It is a most significant fact that the steel industry was able to show satisfactory profits for the first 6 months of 1934 without operating to more than half its producing capacity. Profits under such conditions necessarily involve prices per ton which include a high margin over cost of production. It is theoretically possible to fix prices at a point where profits would be shown on a much smaller percentage of capacity. The consuming public would doubtless revolt against the exaction of prices that would provide a profit on an investment of which only a minor percentage is being used. It has borne more or less patiently the burden of prices which provided a profit on an investment of which only 50 percent was used. Recent trade press reports state that some of the younger and stronger independent producers of steel are now contending for a drastic reduction in prices on the theory that it is better business to have a high volume of production on a reduced margin of profit than a small output at a high price. Such a position

³⁷ T. N. E. C. Record, p. 363.

³⁸ F. T. C. Report to President, p. 37.

is consonant with the view of the Commission above expressed and with any logical long-run view of economic recovery."

This contention was repeated by the Federal Trade Commission in 1939 in the statement submitted to the Temporary National Economic Committee:³⁹

"Overequipment in the industry, with failure to eliminate the least efficient plants, tends to discourage technological progress, but its chief effect appears to have been to accustom the industry to the idea of a low ratio of production to capacity. The industry has felt entitled to a price level that will allow it to make a profit when operating at less than 40 per cent of capacity, although this required percentage increased with the base price reductions of June, 1938."

The Commission also contended that the price level is so high as to threaten the survival of the capitalist system:⁴⁰

"Thus the advantage or disadvantage of location for many buyers is an artificial one, which may be altered by arbitrary private decree through a change in the basing point. Price competition in the steel industry, during all periods when the system is working, is eliminated. High prices, not in conformity with the law of supply and demand, place unreasonable limitations on use of the material. The effect, when combined with that of similar artificial prices in many other lines of production, is a depressed condition which can be kept from utter collapse only by repeated doses of public subsidy.

* * * * *

"The ability to decide on a price and hold to it regardless of demand, which is the essence of monopoly, is a prime factor in establishing the vicious circle of high prices, restricted production, and reduced employment so widely condemned as 'scarcity economics'. Starting with a price level designed to protect obsolete and unnecessary plants, and therefore having long periods of part-time operation and high overhead, the steel industry has established a habit of low production and high cost that seems to justify high prices. The demand is thereby restricted, and the vicious circle is completed by the continuance of high costs based on restricted output.

"Moreover, in a product like steel which serves as raw material for other products, and for the machines with which other products are made, any unnecessary cost will be multiplied from step to step throughout industry so far as the influence of steel extends. The consumer is burdened with monopoly costs of steel multiplied several fold. * * * The steel industry is a focal center of monopolistic infection which, if not eradicated, may well cause the death of free capitalistic industry in the United States."

These contentions may be summarized as follows: Base prices under the basing point method are high, and the proceeds are used to defray the costs of excess capacity and of wasteful cross-hauling, and to realize unreasonable profits. The contention that the steel industry earns unreasonable or "monopoly" profits is refuted by the steel industry's low rate of return on investment.

The NRA Report, published in 1934, concluded that steel prices had declined relatively to other prices over a long period.⁴¹

"* * * It appears that over a term of thirty-three years, steel prices have declined relatively to all prices. While the same could be said of metals and metal products generally, it is still significant that there have been periods of long continued gradual decline, from 1900-1914 and from 1923-1929. This behavior is certainly not unmistakably monopolistic. All these examinations of evidence are instructive, but fall short of proving a conclusive case for or against the existence of monopolistic control. * * *"

The NRA Report contained the following statement relative to profits in the steel industry:⁴²

"* * * In 1929, the industry's best year since the War, net income was \$362,000,000—(Compiled from Standard Trade and Securities of May 4, 1934, by G. C. Gamble, Division of Research & Planning, N. R. A., May 8, 1934). These earnings were to be compared with total assets in the general neighborhood of \$4,500,000,000, indicating a return of about 8% in this uniquely prosperous year. The average for the four years 1927-1930 was about \$231,000,000, or less than 5% on actual investment. Thus there are not only no monopoly profits at the present time, but no sustained profits of a clearly monopolistic

³⁹ F. T. C., "Monopoly and Competition in Steel," p. 4.

⁴⁰ F. T. C., "Monopoly and Competition in Steel," pp. 6, 8, 14.

⁴¹ NRA Report, pp. 139-40.

⁴² *Id.*, p. 138.

character during the more recent years of prosperity, which might serve as offsets to the losses of the past four years."⁴³

Thus, it is demonstrable that the earnings of the steel industry show no signs of excessive profits. In the case of the United States Steel Corporation, the ratio of earnings to total assets, less current liabilities, as reported by its annual reports, has averaged approximately 3.4% during the period from 1920 to 1938, inclusive. For the ten year period ending with 1938, such ratio has been less than 2%.

The correlated statements that the proceeds of high prices are dissipated in the costs of excess capacity, retention of obsolete plants, and wasteful cross-hauling are dealt with at length elsewhere in this memorandum, but the first two may be briefly analyzed and considered at this point. Contrary to the unsupported assertion of the Federal Trade Commission, technological progress has been extremely advanced in the steel industry. In the last dozen years, the development of modern machinery and processes has revolutionized the industry and its products, and, to a high degree, industries and products of industries which are consumers of steel. Such changes necessarily have outmoded some machinery and mills, a large proportion of which have not been operated, until recently, for some time. It seems implicit in the Federal Trade Commission statements that the Commission would contend that such mills and machinery should have been scrapped immediately, their capacities deducted from total capacity figures, and their value written off the assets of their corporate owners. However, such plants were by no means so obsolete as to make it necessary to scrap them, since their full useful life had not been served and their products were, and are, still useful for many purposes, and the cost of retaining rather than scrapping such mills was not appreciable. Thus, the policy of most corporations has been to retain such plants as reserve capacity, and this policy is justified by the fact that the recent sudden increase in demand has already forced into operation many of such older mills, and is requiring others to be brought into operation as rapidly as possible.

The capacity figures of recent years have included the capacity of many such older mills. To say that capacity figures, when compared with production figures during periods of business recession, show excess capacity is to ignore entirely the proper distinction between excess capacity and idle, or reserve capacity. The capacity of the steel industry is not more than sufficient to supply the demand at the height of the business cycle, even with the utilization of what may be termed marginal mills, as is clearly shown by the situation at the present time with mills operating in excess of 90% of ingot capacity. Apparently the Federal Trade Commission would wish to see mill after mill scrapped as demand decreased in a downward phase of the business cycle. It is not entirely clear whether the implication is that this should occur as a voluntary policy of scrapping mills in order of age or degree of obsolescence, or that it should occur as a "natural" economic result. At any rate, the Commission contends that the industry should not have shown a profit during the first six months of 1934 when operating at 40% of capacity, and it may be assumed from the Commission's statement that the industry would have been expected to show a not inconsiderable loss during such period. A continuation of such circumstances for any substantial period of time would, undoubtedly, result in a forced liquidation of many steel producing companies. Thus, it may perhaps be concluded that the Federal Trade Commission expects this to be the means by which capacity utilized at periods of high demand would

⁴³ Other qualified commentators have reached the same conclusion. In Daugherty, etc., "Economics of the Iron and Steel Industry," Vol. 1, pp. 408-410, it is stated:

"A survey of the financial operations of the steel industry as it is represented by the integrated companies indicates that it earned but a modest return (net income) on its capitalization even in the 1924 to 1929 era. For those six years the average rate of return on its capitalization was approximately 6.37 per cent. For the years 1931 to 1934 inclusive, losses after charges exceeded net income, with the result that an average net loss of 1.82 per cent on capitalization was experienced. The relatively low earning power of the steel industry is further emphasized when it is compared with groups of miscellaneous manufacturing corporations. From Chart 59 it is apparent that the average annual rate of return on capitalization earned by both the 50 corporations and the larger sample of 2,046 corporations exceeded the rate of return earned by the steel industry in every year of the period covered.

"Further substantiation of the relatively low return on capitalization in the steel industry is to be found in Epstein's *Industrial Profits in the United States*. Epstein shows that of 106 minor industrial groups, the 'Castings and Forgings' industry ranked, in percentage of net income to capitalization, 13th from the lowest both in 1921 and in 1928. This group comprised 99 corporations with an average total capital of \$49.5 millions. Included in this group are foundries, rolling mills, and all kinds of iron and steel plants.

"Explanation of the persistent relatively low rate of earnings in the steel industry is not easily formulated. It is, of course, possible that the steel group has placed a higher valuation on its assets than have corporations in other industries, but the validity of such a surmise cannot be demonstrated. At least, if such inflation of assets exists, it does not appear in such items as goodwill and patents. In none of the years of the period covered did these items exceed 0.3 per cent of total assets."

be eliminated as demand decreased. It is apparently immaterial in the Commission's view that this method would not necessarily eliminate mills in order of degree of obsolescence since many other factors, such as the comparative financial strength of producing companies, would influence the determination of which mills would disappear. Furthermore, the Federal Trade Commission does not suggest the means of increasing capacity in periods of rising demand. The length of time necessary to construct a modern mill, or to rehabilitate a mill abandoned by a bankrupt company, would alone cause a considerable lag of capacity behind demand. The necessary amount of capital and the difficulty of attracting capital under such circumstances would increase this problem. The natural result would be in the direction of the skyrocketing of prices in periods of rising demand. These are all factors which should be, but often are not, considered before assertions are made that total capacity, which includes reserve capacity barely sufficient to supply peak demands, is excessive, and that "obsolete mills," which constitute such reserve capacity, are improperly retained.

There remains for consideration the contention that steel prices are inflexible and that the cause of such inflexibility is the basing point method. Steel prices are relatively stable, or inflexible, as compared to prices of agricultural products and other consumers' goods. This is a characteristic of durable goods industries, which results naturally from relatively inflexible costs, proportionately high overhead costs, inelasticity of demand, and other factors, and, thus, inflexibility is not necessarily an indication of monopolistic or price-fixing tendencies. Steel prices are certainly not entirely inflexible, and no evidence has been brought forward to prove that they should be more flexible or that any advantage to steel consumers or the community as a whole would result from a greater degree of flexibility. In fact, a relative degree of stability is essential from the point of view of the buyer of steel since he must plan his production and his own prices for advanced periods of time. It is not believed that most buyers of steel would wish to be forced into the necessity of dealing in "futures" in steel products by constantly fluctuating market prices, such as are characteristic of the prices of grain and other agricultural products.

The effect of the basing point method upon flexibility of steel prices could only be measured accurately by comparison of present prices with prices which would have existed in the absence of the basing point method. Such alternative prices cannot be known, as it cannot be determined what practice would have developed if the basing point method had not been used, and thus it cannot be estimated what effect this other practice would have had upon prices.

Nevertheless, it is probably correct to assume that some features of the basing point method have contributed to an orderly price structure. For example, the publication of prices probably has a stabilizing influence on the market, and thus has some effect upon actual prices, although this influence is subject to many and powerful counteracting tendencies. The same stabilizing influence would result from any open price system. It is to be noted, however, that any stabilizing influence of the basing point method operates more powerfully to prevent prices from rising than to prevent them from decreasing, since unpublished price reductions are possible, whereas unpublished price increases do not, of course, occur. Finally, if it be assumed, merely for the sake of argument, that the basing point method has had some influence in the retention of older mills as reserve capacity, it then follows that the basing point method has prevented large increases in prices in periods of high demand, such as at the present time.

4. UNDUE CONCENTRATION OF PRODUCTION FACILITIES

Critics of the basing point practice have asserted that it has caused undue concentration of production facilities, particularly at Pittsburgh, but also at other basing points. They have also contended that the basing point practice has resulted in "uneconomic" location of producing mills. This may be taken as the same criticism differently expressed. The criticism continues to the effect that producing mills should be scattered over the country and assumes that steel mills would be so scattered had it not been for the basing point practice. The following passage from the statement submitted by the Federal Trade Commission to the Temporary National Economic Committee is an example:⁴

"Sound competition would be efficient for the nation because it would reduce wasteful cross hauling, the cost of which the nation must bear. It would promote decentralized location of mills, tending to favor the growth of numerous scattered mills close to customers, or in the shortest line between customer and raw material, an important item in terms of economic stability and of national defense."

⁴ F. T. C., "Monopoly and Competition in Steel," p. 10.

Under the Pittsburgh Plus pricing method, the mills at Pittsburgh sold steel products all over the country at delivered prices equal to the Pittsburgh base price, plus freight from Pittsburgh, thus realizing net mill returns equal to their base prices. Other mills, in theory, met those delivered prices. Consequently, the mills at Pittsburgh enjoyed a nation-wide market with normally even mill net returns. Some critics have concluded that this supposed advantage resulting from Pittsburgh Plus was the cause of the location of the many large producing mills at Pittsburgh. They have also concluded that the location of large steel producing capacities at other basing points has resulted from the basing point practice.

An accurate appraisal of this criticism would require comparison of the existing facilities at Pittsburgh and other large basing points with those which would exist there if the Pittsburgh Plus and basing point pricing methods had not been in use. Such comparison would require an examination of the extent to which any pricing practice could affect the location of production facilities, what practice would have been followed in the absence of Pittsburgh Plus and the basing point method and what effect such different practice would have had upon the location of production facilities. There is no way by which the present steel producing facilities can be compared scientifically with those which would have existed under other conditions. However, it can be pointed out that in many respects the existence of the Pittsburgh Plus method would have a natural tendency to encourage location of mills outside of rather than at Pittsburgh.

Under the Pittsburgh Plus method delivered prices all over the country were higher than the Pittsburgh base price by the amount of the freight from Pittsburgh. The mill located away from Pittsburgh realized a higher mill net return on sales in its immediate territory than Pittsburgh mills. For example, a mill at Chicago, or other producing points, received a delivered price on sales at such point higher than the Pittsburgh base price by the amount of the freight from Pittsburgh to such point; it retained this advantage roughly on sales in directions away from Pittsburgh;⁴⁵ and it retained an advantage over Pittsburgh mills in smaller amounts in sales toward Pittsburgh up to points half-way between Pittsburgh and the location of the mill. This encouraged the location of mills at Chicago, Buffalo, Bethlehem, Sp: rrows Point, Cleveland, Birmingham, etc., and made possible the constant expansion of their facilities. The price differentials at basing points outside of Pittsburgh during the Pittsburgh Plus period and subsequently had the same effect.

Such statistics as are available indicate that Pittsburgh declined in relative importance as a producing center during the Pittsburgh Plus period and subsequently.

In Chapter VIII of "The Economics of the Iron and Steel Industry," there is an incomplete study of the relative capacities in the Pittsburgh district and at other locations during the years from 1900 to 1934. The author concluded that Pittsburgh declined relatively in pig iron capacity during that period:⁴⁶

"(1) Pennsylvania throughout the period 1900-1934 suffered a gradual decline in its relative importance as an iron-producing state. Inspection of the curve shows that, in general, in years when total production of pig iron of the country declined, e. g., 1921, 1924, 1927, Pennsylvania's percentage of total production decreased. The subsequent increases in the share of total output in years of revival of total production were insufficient to maintain the relative position of Pennsylvania. Decline in the output of the smaller furnaces in years of falling prices and the gradual abandonment of such furnaces, together with an increase in the number of larger stacks in the regions west of Pennsylvania, are behind the changes noted.

"(2) In sharp contrast to the situation in Pennsylvania were the developments in Ohio and in Indiana-Michigan. The upward slope of the curves shows strikingly the tendency for pig-iron production to move westward. For most of the period the gains made in Indiana-Michigan represent developments at Gary, Ind. In Ohio advances made in the Cleveland and Youngstown Valley district offset the declining output of the smaller furnaces in central Ohio.

* * * * *

"(4) The sharp decline in total pig-iron production subsequent to 1930 was accompanied by striking changes in the relative positions of Ohio and Pennsylvania. In 1932, for the first time in the entire period, production of pig-iron in Ohio exceeded the output of Pennsylvania furnaces."

⁴⁵ It was reduced to some extent by the difference between long and short haul rail freight rates.

⁴⁶ Daugherty, etc., "Economics of the Iron and Steel Industry," Vol. I, pp. 33-337.

This writer found the same trend in the capacity for the production of ingots and rolled steel products:⁴⁷

"Chart 38 presents similar curves for steel ingots and castings, but the lack of comparable data has made it necessary to omit Alabama. On the other hand, it has been possible to plot separate curves for Michigan and for Indiana. In general, where the data are for identical regions, the curves show much the same slopes as those already noted for pig-iron production and capacity. In Illinois, however, the percentage of ingot and castings capacity increased sharply after 1929, but at the same time the percentage of production of ingots and castings declined appreciably. In this instance, the behavior of the percentage curves for capacity resulted, in part at least, from the erection by one of the large steel corporations of 14 basic open-hearth furnaces with a total annual capacity of more than 1,500,000 tons. * * *

"The relative importance of the several regions changes but little when measured in terms of the production of finished hot-rolled products. Nor do these regions exhibit any important difference in trends over the period covered. Perhaps of chief significance is the fact that the decline in the relative importance of Pennsylvania has not been equally sharp in each of the stages of iron and steel production. Throughout the period, Pennsylvania has maintained first place in the production of finished steel products. (It will be recalled that Ohio surpassed Pennsylvania in 1932 in the production of both pig iron and ingots and castings.) Inspection of the curves in Chart 39, however, yields no indication that the downward drift in the percentage of finished steel production will not continue. Since 1920 Pennsylvania rolling mills have improved their relative position only in 1926 and in 1929, years of expanding production for the entire industry. In 1933 and in 1934, total production of the country increased, but Pennsylvania's plants continued to account for slightly smaller percentages of total output. The development of the continuous rolling mill and the erection of such mills in regions nearer to the automobile plants, which are the important consumers of sheet and strip steel, may result in further decline in Pennsylvania's relative importance as an iron- and steel-producing state."

The Federal Trade Commission's assertion that the existence of basing points has caused the location of mills at such points may be countered with the fact that, as a matter of record, with certain minor exceptions,⁴⁸ the naming of a basing point has followed rather than preceded the installation of production facilities at such points. This is the normal course of development of the basing point method. The NRA report stated:

"In the growth of the Chicago District's productive capacity, we find early signs of the natural basing point development, whereby when capacity in a district increases to the point where it begins to require all its own market and to press for more, it breaks away from the 'mother' basing point, stands on its own feet and quotes its own base prices which are lower than prices delivered from distant producing points."⁴⁹

In fact, the location of production facilities has been due to the fundamental economic traits of the steel industry which have already been set forth, rather than to any pricing system. The primary factor has been low assembly costs of raw materials. Large steel producing capacities would be expected in the Pittsburgh district independently of any pricing method because of the location at Pittsburgh in relation to the raw materials necessary in the production of steel. Pittsburgh is near deposits of the best coking coal, and large supplies of iron ore can be brought to it cheaply by water from the Lake Superior district with only short rail hauls. Limestone is also readily obtainable. This factor was the cause of the rise of Pittsburgh as a steel producing center long before the Pittsburgh Plus pricing method grew up. This consideration also caused the location of mills at other large producing centers and has been one of the principal determining factors in limiting the location of steel mills to a comparatively few districts.⁵⁰

While nearness to markets is also an important factor, which had an influence upon the location of existing mills, it cannot be the determining factor in the location of a steel mill. The Federal Trade Commission's theory seems to be that steel mills should be located near the markets for steel products—in effect that they should be scattered over the country wherever there is a market regardless of other considerations. Such location might result in lower transportation costs for finished steel products but no evidence is presented that this would offset the

⁴⁷ *Id.*, pp. 337-339.

⁴⁸ Certain Gulf Ports were named basing points, although there was little capacity located near them, in order to enable domestic mills to meet foreign competition. The effect has not been the installation of producing facilities at such points.

⁴⁹ NRA Report, p. 39.

⁵⁰ See the passage from the NRA Report quoted on p. 23, *supra*.

disadvantage which such scattered mills would have in the transportation costs of assembling more than four tons of raw materials for every ton of finished steel.

Furthermore, there is an entire disregard of other costs which would be an inevitable consequence of an application of the Commission's theory. Concentration of steel producing facilities in a few districts is also due to the economies of integration. The economies of vertical integration necessitate the location of steel producing operations near the blast furnaces and rolling mill operations near the steel producing facilities. A modern integrated mill inherently has large capacities and its products must be distributed to many markets. The demands of large markets are often limited to one or a few products. An integrated mill cannot economically limit its production to one or two products but must have a wide diversification of products, the demand for which is geographically scattered.

Thus, a location cannot justly be called "uneconomic" unless some other location can be shown to be better. The benefits of proximity to a large consuming market may be offset by high assembly costs. A large steel mill cannot limit its operations to the few products for which there might be a local demand, and the small scale operations of a smaller mill would undoubtedly result in high operating costs with no saving to its customers. The location of mills upon the sole basis of nearness to a market would always subject them to local and seasonal variations in demand, and might well be disastrous if the market should subsequently move away because of labor difficulties or other causes. Concentration of facilities necessarily results from the nature of the steel industry, and present locations of mills are based upon a proper consideration of the economic factors involved. They cannot be attributed to any pricing method.

5. EXCESS CAPACITY

Critics of the basing point method have stated that it causes "excess capacity". For example, the statement recently submitted to the Temporary National Economic Committee by the Federal Trade Commission, contained the following passage:⁵¹

"The protection of obsolete plants under the umbrella, by retaining excess capacity in the industry, impairs the incentive to build new and more efficient plants or to secure a better location."

What is meant by "excess capacity"? What factors should be considered in determining capacity? Should theoretical output be based upon a 24 hours-a-day operation, or on some lesser number of hours? Should one deduct for idle time required by repairs, labor shortage, etc.? Steel capacity figures are generally taken from the "Directory of the Iron and Steel Works of the United States and Canada", published by the American Iron and Steel Institute, which has adopted the following formula:

"The figures of capacity desired are your practical capacity, that is, an output which you feel can be attained under conditions of maximum demand, assuming adequate transportation service and no serious labor shortage. You are especially requested to base your figures on your usual normal number of operating turns per week; and to make due allowance for such holidays as you customarily observe, as well as for average time lost for repairs, relining, and for rebuilding of furnaces."

This definition, among others, is quoted by Dr. Willard L. Thorp, now associated with the Department of Commerce in connection with its work for the Temporary National Economic Committee, in a study of the relation of overcapacity to business depressions, entitled "The Problem of Overcapacity."⁵²

The criticism of the Federal Trade Commission infers that steel capacity has been accurately measured against a correct standard and has been found to be excessive.³ But Dr. Thorp, after noting that unused or idle capacity in the steel industry is necessary and inevitable, denies that it is possible at present to formulate a test of "excess" capacity. He says:

"There is somewhere a degree of excess which, under the techniques of production and the shifts arising in demand, might be considered necessary, a degree which is probably taken into practical financial account through charges for depreciation and obsolescence, and through various other forms of liquidation of capital. * * * A study of excess capacity as a cause of depression would involve, then, a knowledge of its fluctuations above and below the line of necessary excess. Such knowledge is only in the smallest fraction available today."⁵²

The Federal Trade Commission has probably based its conclusion upon the fact that the industry during most of the past ten years has operated at a low per cent of its reported capacity. This is a sign of idle, but not necessarily of excess capacity.

⁵¹ F. T. C., "Monopoly and Competition in Steel", p. 11.

⁵² Contained in "Economic Essays in Honor of Wesley Clair Mitchell", pp. 477-495. All references to Dr. Thorp's views contained in this section are from this study, and quotations are made by permission of the Columbia University Press.

Dr. Thorp lists the following as being among the causes of idle capacity:⁵²

1. Seasonal variations in demand. For example, telephone, electric light and power industries, docks, wharves and ice cream all experience sharp seasonal fluctuations in demand. (This applies to some steel products, such as cotton bale ties, automobile sheets, tin plate, etc.)⁵³

2. Seasonal variations in supply. Canning factories, brick yards and logging camps are examples of industries which must maintain facilities to deal with one busy season, and which operate at a low rate during the rest of the year. (Through storage of raw materials, the steel industry largely avoids seasonal fluctuations in supply.)⁵³

3. Reduced demand, resulting from technological changes, substitute products, legal prohibitions, fashion changes, etc. (The steel industry over the last ten years has experienced a reduced demand for heavy products, such as structurals and rails, partly compensated by an increased demand for light, flat rolled products.)⁵³

4. Style changes. In certain industries style changes require new machinery, while the old machinery is retained because it is not worn out. This results in unused capacity. (In the steel industry style changes occur in finished articles made from steel products, and such changes are closely inter-related to technological improvements in the quality of steel products. The one piece steel tops, deeply recessed steel panels, and sharply rounded, high crowned one piece fenders of modern automobiles, which may be considered in part style changes, were made possible by the greatly improved steel sheets produced on modern continuous rolling mills. The demand for the improved sheets required the installation of continuous rolling mills, but the old hand mills were retained because their product was still satisfactory for other purposes, and the capacity of the hand mills was useful as a reserve.)⁵³

5. Hand-to-mouth buying. In industries in which the carrying of stocks of their products is risky because of style changes, adequate capacity must be maintained to meet sudden demand. (Most steel products are made to meet varying customers' requirements, but this furnishes no clear basis on which to charge that excess capacity results.)⁵³

6. Technical advances and obsolescence. New inventions and improvements may increase the capacity of old facilities, and new equipment may supplant older facilities which are still usable but not as efficient. Nevertheless, the old machinery which has not served its full useful life is held as reserve capacity and is usually included in total capacity figures. (The capacity figures assembled by the American Iron & Steel Institute include the capacity of various so-called hand mills, which have been largely outmoded by the modern continuous mills. Many such old mills were retained as reserve capacity, rather than scrapped, because they had not served their full useful life. The sudden increase in demand in the fall of 1939 has forced into operation all or most of this formerly idle capacity, and the existence of these mills has been of inestimable importance in satisfying customer requirements. It has also probably been a factor in preventing any sudden change in prices during this marked upturn in the business cycle.)⁵⁴

7. Planning ahead. After years of steady growth in a given industry's facilities, new plants will ordinarily be built to accommodate expected future growth, which in the interim may result in some temporary overcapacity. (This probably is true to some extent in the steel industry, in which the building of a plant is a major engineering job. Additions to already existing steel plants are not easy to design, and when built are not apt to be satisfactory.)⁵⁴

8. Competition. The competitive scheme requires that there be at least two sellers between whom the buyer can choose. As a result, there must be some duplication of capacity. (Some duplication of capacity results from the desire not only to earn a profit but also to insure against deeper losses for the time being. For example, following the recent shift in demand from heavy steel products to light, flat-rolled products, many companies installed continuous sheet and strip mills, as a long-range program, not only because they thought such facilities could eventually be profitably employed, but also because they felt they had to do so in order to stay in the market. This probably has resulted in some temporary overcapacity for sheets and strip.)⁵⁴

Since Dr. Thorp was examining the effect of capacities in producing depressions, he did not list the business cycle among the causes of idle capacity. Demand fluctuates enormously through the different phases of the business cycle, particularly in the durable goods industries, as clearly appears from the figures cited

⁵² Parenthetical statements are not derived from Dr. Thorp's essay.

⁵⁴ Parenthetical statements are not derived from Dr. Thorp's essay.

supra. Naturally, if the industry has facilities to supply the peak or near-peak demand, it will have idle capacity during the periods of lower demand. Even if excess capacity were proven, it would be extremely difficult to establish that any part of it could properly be attributed to the basing point practice.

The criticism of the Federal Trade Commission may, however, be construed to mean that the basing point method maintains prices at higher than competitive levels, thus attracting too many producers and causing the installation of excess capacity. However, the price of steel over a long period has declined, relatively to other prices, and the profits of the steel industry have been considerably lower than the average among industries.

The attack on "excess capacity" has received an emphasis out of proportion to its real significance. Dr. Thorp says, " * * * the few indicators which have been gathered together here fail to provide any final affirmative evidence to support the belief that unusual increases in productive capacity did much to bring the recession." *

Dr. Thorp notes, for example, that output during the years 1925 to 1929 increased faster than capacity. The NRA Report made the following comment:⁵⁵

"So far as the installing of new productive capacity is an indication, it is significant to note that the recent study made by the Brookings Institution: 'America's Capacity to Produce', pp. 251-270, finds no evidence that the percentage of excess capacity in the industry had shown any long-run tendency to increase prior to the present depression, but distinctly the opposite, especially if the figures are carried back to 1898-1900."

6. ALLEGED PRICE DISCRIMINATION

Steel mills, in general, realize their highest mill net returns on sales to buyers in the territory nearest to the mills, and, after passing beyond their natural market territories, progressively lower mill net returns as the distances to the customers increase.⁵⁶ As before mentioned, this variation in mill net returns is often critically, although inaccurately, characterized as "price discrimination," and because it follows roughly a geographic pattern, it is sometimes called "geographical price discrimination."

The basing point method is often criticized on the basis of such a difference in mill net returns. In a "perfect market", the argument runs, discrimination of this character would not take place. A seller would then either meet the price determined by supply and demand and sell in the market at that price, or he would demand a higher price and, failing to obtain it, would withdraw from active participation in the market. But, the critics argue, he would not have two prices for the same product at the same time and thus would not discriminate in price between different buyers (ignoring quantity discounts, possible differences in handling costs, etc., which would require some classification of buyers). By contrast, according to such commentators, the variable mill net returns realized by a steel mill on business in different areas are discriminatory, and therefore non-competitive. The fallacies in this theory generally, and with reference to the steel industry in particular, have been discussed elsewhere in this study. The causes of variations in mill net returns may be considered here.

(a) So-called "Phantom Freight."

Critics of the steel industry contend that producers charge "phantom freight" in two types of situations, first, in certain sales by non-basing point mills, and second, on shipments made by a medium of transportation cheaper than that which is used in calculating the delivered prices. These may be considered separately.

(1) *Non-Basing Point Mill*.—Referring to the foregoing Diagram 3, which is here reproduced, A and B are basing points, and c is a non-basing point mill. A is the applicable basing point. The delivered price at X, a point of consumption, is \$44 (\$40 base price at A, plus \$4 freight from A to X). The mill at c, a non-basing point mill, will meet this delivered price at X, paying only \$3 freight and realizing a mill net return of \$41, or \$1 more than the base price at A. This \$1 is called by the critics "phantom freight", because, it is said, the mill at c charges \$4 for freight, while it pays only \$3. Of course, this criticism is inaccurate. The mill at c has not charged any freight, "phantom" or otherwise, but has merely named a delivered price of \$44, equal to that of the competitive mill at A.

Diagram 10 shows a more complex picture of the mill net returns of a non-basing point mill. A is a basing point with a base price of \$40, and c is a non-basing point

* See footnote 52, *supra*.

⁵⁵ NRA Report, p. 65.

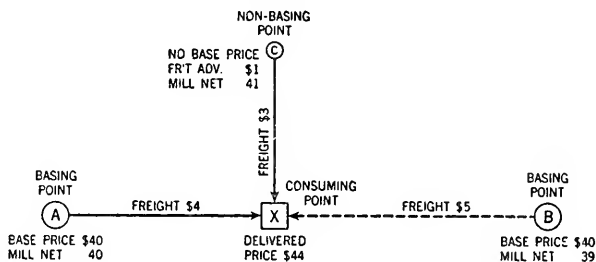
⁵⁶ See *supra*, pp. 8, 9.

THE BASING POINT METHOD

Diagram 3: Explanation of first type of Freight Advantage and so-called "Phantom Freight".

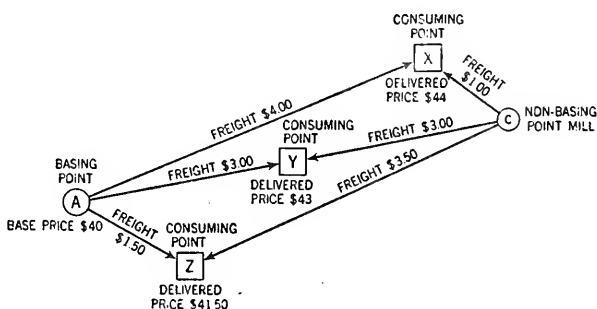
Mill at (A) has lowest Base Price plus Freight to (X)

Mill at (C) charges the same Delivered Price. Having a Freight Advantage of \$1 over (A), (C) realizes a Mill Net \$1 higher than (A). This \$1 is so-called "Phantom Freight".



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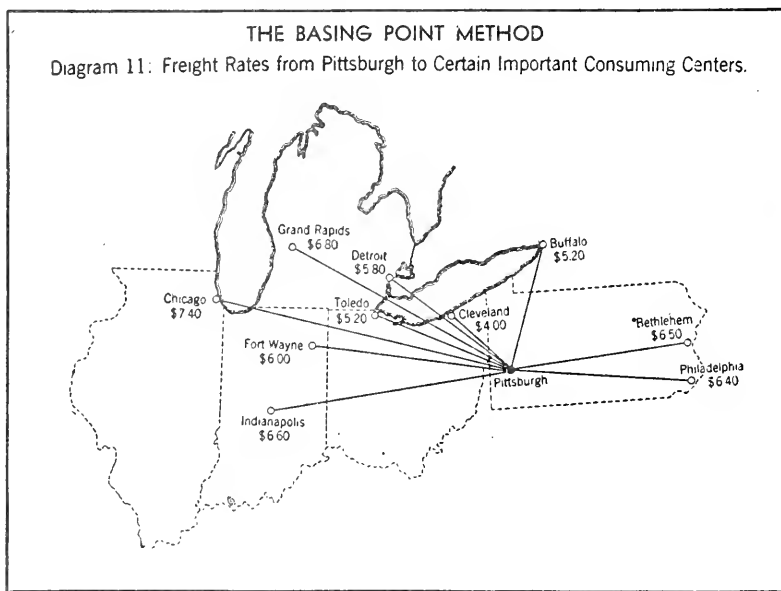
Diagram 10: Mill Net Returns of Non-Basing Point Mill.



MILL NET RETURNS TO MILL AT (C)			
CONSUMING POINT	FREIGHT ADDED	FREIGHT PAID	MILL NET RETURN
X	\$4.00	\$1.00	\$43.00
Y	\$3.00	\$3.00	\$40.00
Z	\$1.50	\$3.50	\$38.00

mill. X, Y and Z are points of consumption. The delivered price at X will be \$44, and the mill at c will meet that price realizing a mill net return of \$44 minus \$1 actual freight, or \$43. This difference of \$3 between the freight rates from A to X, and from c to X, is characterized by such critics as "phantom freight." In fact, however, the mill at c is only naming a delivered price which will enable it to realize the proper advantage resulting from its superior geographical location with respect to a sale at X. At Y the delivered price will be \$43, and the mill at c will pay exactly as much freight as is used in determining its delivered price, realizing a mill net return equal to the base price of the basing point mill at A, or \$40. The delivered price at Z will be \$41.50, and the mill at c will pay \$3.50 freight, realizing a mill net return of \$38.00. On this sale the mill at c is said to be absorbing \$2 freight. Actually, it is merely meeting the competitive price at Z.

Summarizing, the non-basing point mill at c realizes its highest mill net returns on sales to the customers nearest it, at X for example, and progressively lower mill net returns as the distance to the customer increases, so long as it is selling toward the basing point. On sales in directions away from the basing point, it will continue to realize mill net returns which such critics argue embrace "phantom



freight", until it begins to sell in territory nearer freightwise to some other basing point.

This practice of a non-basing point mill of merely meeting delivered prices of basing point mills when the freight rate from the non-basing point mill is lower is said to be non-competitive and an evidence of monopoly. The objections probably arise from two sources. The first is a survival of the criticisms which developed during the long Pittsburgh Plus period, when almost every mill calculated delivered prices by adding the freight from Pittsburgh to the destination. Diagram 11 shows roughly the substantial amounts of freight charges from Pittsburgh to certain important consuming centers. This diagram is based upon existing freight rates, which have not changed greatly since 1922. During much of the Pittsburgh Plus period, however, the freight rates were lower, the major increases coming during and immediately after the last World War. It should be noted, moreover, that price differentials over Pittsburgh at outlying basing points were a natural part of the development of the basing point practice. New mills needed higher prices in order to cover their higher costs, and to provide capital funds for expanding their facilities. Pittsburgh, on the other hand, stood in need of wide market territories to provide an outlet for its capacity, and it was natural for the price there to be lower. The conditions illustrated by Diagram 11, however, have not

existed for more than 15 years. Since 1920, the number of basing points has steadily increased, and the basis of this criticism has correspondingly diminished.

A second source of misunderstanding about this practice of non-basing point mills is the idea that it is made possible by some act of monopoly. Professor Fetter, for example, in his testimony at the March, 1939 hearings before the T. N. E. C., explained the origin of "phantom freight" roughly as follows: First there are two widely separated cities, with a number of producers at each. The producers at each city compete with each other in the local market, and the market price at each city determines what part of the area between the cities will buy from each group of producers. Now, he says, the producers at one city may merge. There will be no competition in that city, and the merged concern will simply adopt the market price at the other city, (i. e., use that other city as a basing point) and collect "phantom freight" on sales in that part of the surrounding territory which is nearer to it than to the basing point. The merged concern thus would realize its highest mill net returns on sales in the area immediately around its mill and progressively lower mill net returns as it sold toward the other market.⁵⁷

While Professor Fetter did not state that he was describing actual occurrences in the steel industry, his language might have been so understood. In any case, this is not a true story of the steel industry. As steel producing capacity was installed at points outside of Pittsburgh, the distant mills confined themselves to meeting Pittsburgh Plus prices instead of setting up prices of their own. They could easily do so as long as the demand in their locality exceeded the local production, and in so doing they were only taking advantage of their superior geographical location. No record has been found of any steel producer originating a basing point at another producer's mill, or of an existing basing point being eliminated.

In further analyzing this criticism, separate consideration may be given to (i) mills far from a basing point, and (ii) mills near a basing point.

(i) *Mills Far From a Basing Point*.—As has been pointed out, mills at a considerable distance from a basing point have a freight advantage over other mills in selling to buyers in the territory around their mills. They behave competitively and naturally when they charge their customers a price which realizes that advantage. They are merely reaping the benefit of their superior geographical location, as compared with competitive steel mills. They can scarcely be expected to offer lower prices than their nearest competitors until further competition forces them to do so. The advantage of a non-basing point mill cannot be taken from it except by the erection of another mill near it or between it and its best markets. It is interesting to note that a representative of the Federal Trade Commission expressed this same opinion before the Temporary National Economic Committee.⁵⁸

"I would say that under our competitive system, a man who is particularly well located as regards his raw materials, and his market, will charge, and under our system is expected to charge, a good fat profit until somebody else puts in a plant and competes with him."

The NRA Report also supports this position:⁵⁹

"Akin to the preceding point is the criticism, on the grounds of justice, of the relatively high prices paid by customers located close to mills which do not happen to be basing points. For such customers, located near a non-basing point mill in the direction of its governing basing point, the less freight cost actually incurred, the higher price is charged.

"It is hardly necessary to point out that this criticism depends on the assumption that the customer has a right to a price based on the freight service he actually uses rather than the higher freight for the longer haul from the more distant basing point—a haul which he does not use. It may seem strange to call this an assumption, since to many it is a self-evident truth. Yet it will repay some examination. In the utmost strictness, the customer is not literally paying for the freight haulage which he does not use; he is merely paying a price for steel which the nearby producer is enabled to charge through the protection afforded him by the barrier of a long freight haul from his competitor's mill."

At a later point in this NRA Report, it is said:⁶⁰

"As for the producer who is located at some distance from any competitor, there is no reason why he should, under competition, be compelled to charge a

⁵⁷ T. N. E. C. Record, pp. 332-3.

⁵⁸ Mr. Eugene W. Burr, in the March 1939 hearings before the T. N. E. C.—T. N. E. C. Record, p. 318.

⁵⁹ NRA Report, pp. 71-2.

⁶⁰ NRA Report p. 127.

base price to his nearest customers and add the actual freight to all customers at a greater distance. On the principle formulated above, that he is governed by the best alternative offer which is open to his customer, it is quite likely that the farther he goes from his own mill, the lower is the price at which his customers can get goods from some rival, because the customers are nearer to the rival's mill. Thus an isolated producer may start immediately from the door of his mill to charge his customers the freight which his competitor has to pay, instead of the freight he has to pay himself, and as a result he may charge his nearer customers a higher price than his more distant ones, from the very start, at least in the direction in which the mills of his most active competitors lie."

These excerpts support the propriety of a non-basing point producer realizing the benefits of his geographical location in selling to customers near his mill.

A still stronger case is presented by the steel mill which needs high prices in its most profitable territory in order to survive. A new producer, or any producer in a period of low demand, may require all the profit it can realize from sales to its nearest customers in order to cover its total costs. This is particularly true when the producer, in order to obtain an economical rate of operation, must sell a large part of its output in more distant markets, paying large amounts of freight to reach such markets. The NRA Report recognized this fact:⁶¹

"In an extreme case, the producer who charges his nearby customers the highest prices may not be able to afford to charge them any less, despite the apparent contradiction involved in his voluntarily making lower prices to other customers who are farther off, that is, he may conceivably need all the benefit he can get from the utmost discrimination which his market situation permits, in order to cover his total costs at all. Assuming such a case to exist, if this producer were not allowed to charge high prices to a nearby customer, he would merely be forced out of production, and the customer would gain nothing in the way of lower prices, but would lose the convenience of being able to get service from a nearby source. This extreme case is not very likely to be found in practice, but it is possible.

"If a plant of this character becomes a basing point, the chances are that it will automatically settle the question by quoting prices not much lower than the prices it now receives from its nearby customers. And plants which are in a stronger position are likely to be able to afford the luxury of putting their nearby customers on a more favorable basis by quoting basing point prices more nearly comparable with those in force at other basing points. Thus, if the customers are discriminated against simply because the producer near whom they are located is a weak producer, the discrimination will not be removed; but if they are discriminated against arbitrarily by the system, then the establishment of new basing points will be likely to remedy the case."

Even if a producer were compelled by some outside force to name a basing point at his mill, he probably would minimize the effect of the change by quoting a high base price. Diagram 12 illustrates the technical consequences of such a change. A has long been a basing point, and C represents the location of a mill which has only recently announced base prices at this point. The base price at A is and has been \$40. The mill at C has been meeting delivered prices calculated by reference to A, and consequently has been realizing its highest mill net returns on sales in the territory closest to it. Delivered prices have been highest in the territory farthest from A, no matter how near the purchasers were to C. Upon announcing base prices at C, the mill at C still needs the highest mill net returns it can get, and accordingly it announces a base price of \$45 at C. The line *O-O* represents the boundary of the natural market territories of the basing points as determined by these prices, i.e., the territory in which each mill can quote a delivered price equal to its own base price plus freight. On sales at any point on its own side of the line *O-O* the mill at C will now realize a mill net return equal to its base price of \$45. But in selling past the line *O-O*, for example, at Y, the mill at C could still be accused by such critics of adding more freight than it pays on the theory that C is adopting A's base price. In fact, however, C is merely meeting A's delivered price at Y and thus taking advantage of its own superior geographical location. The same accusation could be made of sales by the mill at C in all of the territory on A's side of the line up to the point where freight rates from A and C are equal.

When the mill at C names a base price of \$45, the effect is to lower prices slightly on its side of the line *O-O*, while on sales beyond that line, neither the previous level of delivered prices nor C's mill net returns will be changed.

⁶¹ NRA Report, pp. 72-3.

Thus, the previously existing scale of delivered prices in the territory around the non-basing point mill can and undoubtedly will remain about the same even though the mill becomes a basing point. The possibility of a non-basing point mill realizing mill net returns higher than those obtained by competitive mills at basing points is not due to the absence of a basing point, but to a geographical advantage over these other mills—an advantage which a representative of the Federal Trade Commission, in the excerpt quoted above, has said should be retained by the well located mill until the erection of competing facilities near its location takes that advantage away.

The accuracy of the assumption made in the NRA Report that a mill in a strong position, upon becoming a basing point, would quote substantially lower prices to its nearby customers, is open to question. It would appear much more likely that an isolated producer, whether strong or weak, would quote delivered prices which would enable it to realize its freight advantage as against other competitive mills. If it did not, then, as the NRA Report says in another passage, it would be following some non-competitive principle. Of course, it is pos-

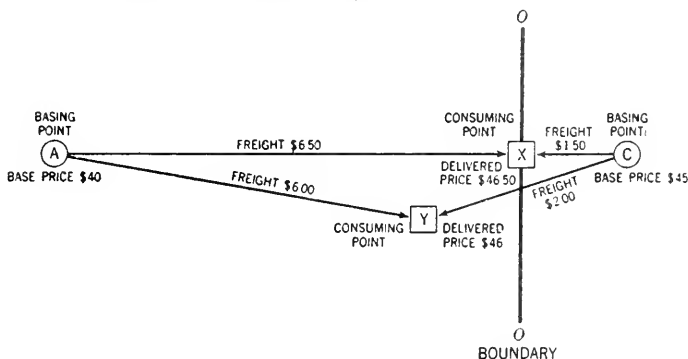
THE BASING POINT METHOD

Diagram 12: Effect of Differential between Prices at Basing Points

In selling at \boxed{X} or any point up to the Boundary $O-O$ of its Market Territory, \odot realizes its Base Price.

Territory, \odot realizes its Base Price.

In selling at \boxed{Y} , \odot realizes less than its Base Price, although it adds more Freight than it pays.



sible that other competitive factors would make it advisable for an isolated producer to establish a base price and substantially to lower delivered prices in its local territory. An example of such a factor would be the desire to enable its local fabricators to sell in more distant markets. But the fact remains that the strong as well as the weak producers are behaving competitively and naturally when they charge prices which reflect their freight advantage over other producers on sales in their local territories.

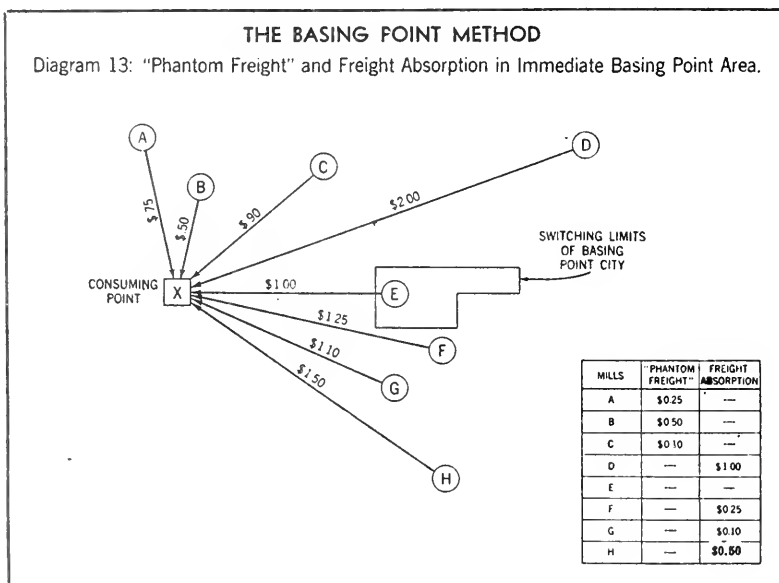
Thus, the behavior of non-basing mills, erroneously described as realizing "phantom freight", is not to be construed as the critics construe it—as a symbol of the absence of competition. It is, on the contrary, truly competitive behavior, but of a type which varies from the assumptions of "perfect competition", because marketing conditions in the steel industry are more complex than those which were assumed in developing the concept of a "perfect market".

The following statement from the NRA Report indicates an appreciation of the true situation:

"* * * one competitor's price to customers is governed or limited by the price charged to these same customers by the rival whose price the first competitor has to meet if he is to sell goods to these particular customers. If the rival's price includes the rival's freight costs, then the price which the first competitor has to make includes his rival's freight charges rather than his own. If

his own freight costs happen to be lower, and if he gives the customer the benefit, he is giving the customer a lower price than competition forces him to give. In other words, he is following some sort of a non-competitive principle rather than a competitive one."⁶²

(ii) *Mills Near a Basing Point.*—The above discussion has concerned mills located at a considerable distance from a basing point. Mills located within a 25 or 50 mile radius of a basing point city are generally considered basing points mills. However, some mills may receive delivered prices which yield a mill net return higher than their base prices, due to their being located in the industrial area of a basing point city, but not within the switching limits of such city. Diagram 13 shows what might be called a typical situation. It was suggested by the location of mills in the Pittsburgh area, although it does not purport to be an accurate representation of that area. The irregular rectangular area near the center of the chart marks the switching limits of a basing point city. A, B, C, D, E, F, G and H are mills, all located within a 50 mile airline radius of the basing point city, and X is a near-by consuming point. All of the mills announce base prices at the basing point city and quote delivered prices based upon such basing



point. On sales to customers at X, only the single mill E, which is inside the switching limits of the basing point city would realize the exact base price. Any other of the mills which sell products at X, would in the eyes of the critics realize "phantom freight" or absorb freight, depending upon whether freightwise they were farther from or nearer to X than is the mill at the basing point city. Since freight rates on steel products for short hauls are comparatively high, the variation among their mill net returns might be as much as a dollar and a half per ton, as indicated on the diagram, but the amounts which they might realize over their base prices are of no consequence to either producer or consumer.

The problem here is different from the problem of mills located far from a basing point, not only in the amounts of freight involved but also in the reason for merely meeting competitive delivered prices. Freight rates from all outlying mills to most consuming points are the same as, or within a few cents of the rates from the basing point city to such points. Customers consider all of the mills as located at the basing point city. It would be difficult for producers and customers alike to calculate freight rates from the obscure suburban stations nearest the mills, while the rates from the basing point city are more easily ascertainable. Thus,

⁶² NRA Report, p. 125.

convenience dictates the announcing of base prices at and the calculation of delivered prices upon the basing point city.⁶³

The reason for the practice of such mills can be better understood by examining the consequences of prohibiting it. This is illustrated by the detailed map of the Pittsburgh area shown facing page 90.* Then each mill located in the area near the present basing point would have its own base price, and would realize that base price exactly on every sale. To calculate a delivered price at any destination near the basing point and in the vicinity of these many competitive mills, the base price of each of these mills and the freight from each mill would have to be considered. The resulting inconvenience is obvious. Each mill would have a monopoly in a few towns in its immediate neighborhood, and there would be a few towns in which more than one mill could sell. A slight reduction in base price by one mill would enlarge its exclusive territory, but all other mills would be forced to follow such reduction, or else be excluded not only from most of their nearest markets, but also from all markets to which freight rates from the group of mills were the same. To prohibit the practice of announcing prices at the basing point city, instead of at the actual mill location a few miles away, would involve a very great trouble for

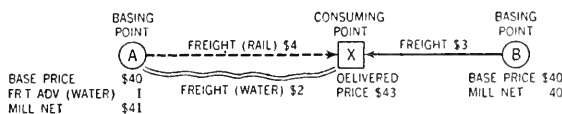
THE BASING POINT METHOD

Diagram 4: Explanation of second type of Freight Advantage and so-called "Phantom Freight"

Mill at (B) has lowest Base Price plus Rail Freight to (X).

Mill at (A) charges the same Delivered Price.

When mill at (A) ships by water it has a Freight Advantage of \$1 and realizes a Mill Net \$1 above its Base Price
This \$1 is so-called "Phantom Freight"



Note: When mill at (A) ships by rail it is at a Freight Disadvantage of \$1 and realizes a Mill Net \$1 below its Base Price

a very small gain, if it would, under any circumstances, be a gain at all.⁶⁴ One should also note that while a mill may realize small amounts in excess of its base prices on some sales in its own local district, it must accept returns less than its base prices on other sales in the same district, in order to meet competition, so that it is very doubtful whether any mill in a basing point area realizes any net gain even on sales to its nearest customers.

(2) *Use of Cheaper Means of Transportation.*—Referring to the foregoing Diagram 4, which is here reproduced, the mill at A must "absorb" \$1 freight if it sells at X and ships by rail. On the other hand, if it ships by water, it will pay \$1 less freight than it uses in calculating the delivered price, and will realize a null

*Of the original document.

⁶³ The same reasoning applies to the so-called "switching arbitrariness". Before the adoption of the NRA Code, all mills sold to a customer located within the switching limits of a basing point at the base price, without adding any freight. Freight rates vary even within switching limits. The variations are not large and the most convenient way of calculating the delivered price was simply to add no freight. Under the Code the practice was developed of adding to the base price a so-called "switching arbitrary" of 2½¢ a hundredweight (3¢ a hundredweight in the Chicago-Gary switching limits) for delivery within the switching limits, and the practice has generally been followed since the Code. Since the actual switching rates vary, the mills may be said to realize "phantom freight" on some deliveries, and to absorb freight on others, but the amounts involved in either case are insignificant.

⁶⁴ Many of these points are noted in the NRA Report, pp. 104-107, and p. 173.

net return \$1 higher than its base price. As before mentioned, this \$1 has been called "phantom freight" by critics of the basing point method.

The same result would be reached if the mill at A could ship by truck to X for \$1 less than the rail freight from B. This \$1, too, would be called "phantom freight" by such critics.

This practice is criticized because it is said that the mills are keeping to themselves all the benefits of the cheaper forms of transportation which they employ. Critics assert that the mill should sell to any customer at the mill for its base price, and should let the customer arrange for shipment by any means that appeals to him. For example, in Diagram 4, the mill at A should, it is said, sell steel at its mill to the customer at X for \$40 per ton, because that is its base price at A, and should let the customer ship the steel by water himself, with a total delivered cost to him of \$40 plus \$2, the cost of water transportation, or \$1 below the prevailing delivered price at X.

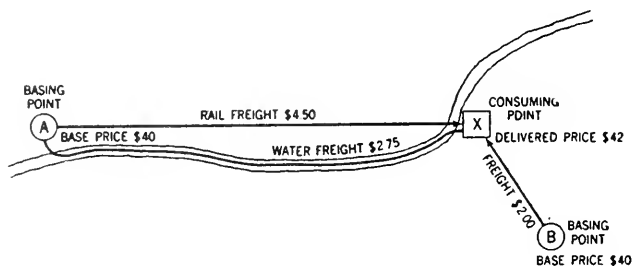
Likewise, the argument continues, the customer should be permitted to arrange for delivery by truck or any other available kind of transport cheaper than all-rail, such as rail-and-water.

THE BASING POINT METHOD

Diagram 14: Water Shipment may merely reduce Freight Absorption.

Mill at (A) absorbs \$2.50 Freight when shipping to (X) by rail.

It absorbs only \$.75 Freight when shipping to (X) by water.



(i) *Water Deliveries.*—In discussing Diagram 4, a case was assumed in which the mill shipping by water realized a mill net return which was \$1 over its base price. On such a shipment, critics say, the benefit of the cheaper transportation should be given to the customer. The answer is that if the mill is the only one which can reach the destination by water, there is no competitive reason why it should give the benefit of the lower transportation to the customer. In fact, if it did so, it would be following some non-competitive principle. Consequently, critics are obviously mistaken when they contend that the alleged collection of "phantom freight" on such deliveries is evidence of a lack of competition. The same conclusion follows when some, but not all, of the competing mills are able to reach a destination by water, and all of these particular mills retain the benefits of the cheaper water transportation when it is used by them.

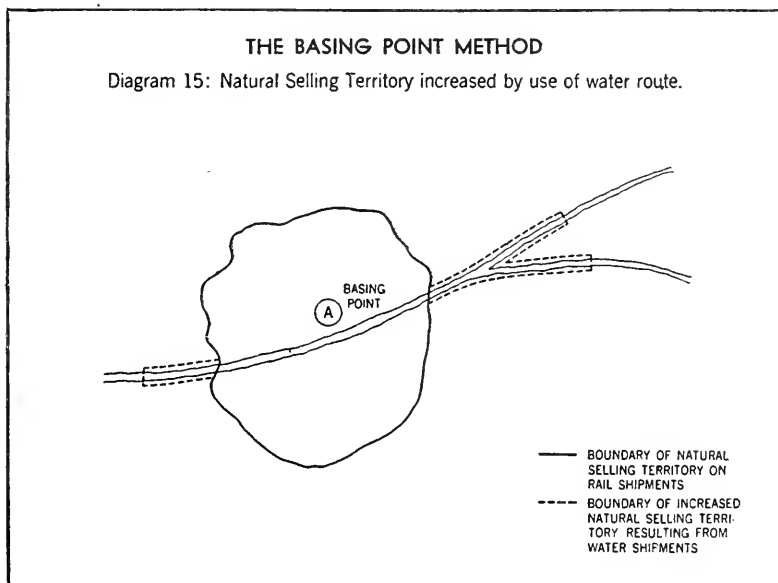
Water shipments, even though they may cost less than rail transportation, do not always, however, result in the mill realizing more than its base price. In Diagram 14, A and B are basing points, each with a base price of \$40, and X is a consuming point with a delivered price, calculated from B, the applicable basing point, of \$42. When the mill at A ships to X by rail, it realizes \$42 less \$4.50 actual freight or \$37.50,—\$2.50 less than its base price. If it ships by water to X, it realizes \$42 less \$2.75 actual freight, or \$39.25—\$0.75 less than its base price.

That is, the use of water transportation by the mill at A for shipments to X does not yield a mill net return above its base price,—it merely enables the mill at A partially to overcome its freight disadvantage as compared with B. It can hardly be said that in such a case the consumer at X is being discriminated against. Such situations comprise a vast majority of shipments by water and include most of the water shipments to the Pacific Coast, the Gulf of Mexico, Lower Mississippi River points and principal Great Lakes consuming centers.

It may be argued that this is no reply to the criticism as applied to instances in which the mill actually does realize more than its base price on a water shipment. However, a general review of the revenues of a mill on navigable waters puts the matter in a different light. In Diagram 15, A is a basing point, located on a navigable river, and the irregular circular line marks its natural selling territory based on rail freight rates. So long as A ships by rail, it has a freight disadvantage on sales outside of this line, because it is hemmed in by competitive mills at other basing points. The use of river transportation, however, increases the areas in which A can sell without a freight disadvantage, as shown by the dotted lines. Beyond the dotted lines, A has a freight disadvantage even if it ships by

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Diagram 15: Natural Selling Territory increased by use of water route.



water, but the lower water freight cost will reduce the freight disadvantage below that present in a rail shipment. The mill at A will realize more than its base price on sales to points within the dotted lines, but since on all other water shipments it will still be "absorbing" freight, it may not, on the whole, be profiting by the use of water transportation,—it will merely be reducing its freight disadvantage. Hence, from the point of view of successful operation of the mill, it is natural and even necessary for A to keep the advantages resulting from some water shipments in order to offset disadvantages resulting from other shipments.

It should also be remembered that water transportation, if available, can be used only on a limited class of business. Ordinarily, only orders of 200 tons or more can be carried economically by barge, and the minimum load for shipment by boat on the Great Lakes or on large rivers is also considerably larger than for rail transportation. Furthermore, water delivery is slower than rail delivery and consequently the customer must be willing to wait. This means that much of the steel carried to towns which are accessible by water moves by rail because buyers' requirements are too small or because buyers demand quicker delivery. At the same time, a mill located on water is probably absorbing large amounts of freight on shipments outside its local market territory. Consequently, it seems proper for the mill to keep such savings as it can effect through the use of water transportation, until it is compelled by competition to give up this advantage.

Competitively, there is a good reason why a mill located on water is not disposed voluntarily to give customers the advantage of cheaper water delivery. Suppose that a new mill is built, which is ideally located for shipment of its products by water, and can so reach many towns which are inaccessible to any other mill except by rail. Assume that it can reach town X by water for \$1 less than the prevailing delivered price at that destination. Suppose that the mill makes a delivered price at X, based on water freight, \$1 less than such prevailing delivered price. It will, of course, quote that delivered price only on business which can actually move by water, which means that the buyer must order a minimum of 200 tons at one time, and must be willing to wait for water delivery. These requirements in themselves greatly limit the number of customers who can take advantage of the lower price, and these limitations are imposed not by the steel mills but by the natural circumstances of water shipment. However, some customers may take advantage of the lower price. Competitors will find out about the new price and will meet it. That is normal practice in the steel industry. One might expect that so long as competitors merely met the cut, the customers would keep ordering from the mill which initiated it, by way of a reward. But the competitors meeting the lower delivered price will be inland mills, which cannot ship by water. In addition to meeting the new price, these inland mills will offer other inducements, for they will ship by rail, which is faster, and will require a minimum order of only a 20-ton carload, instead of 200 tons. Salesmen naturally will emphasize these advantages and buyers will welcome them. Moreover, the inland mills will not confine the lower price to the few customers who are able to order in 200-ton lots, as the first mill did; the 200-ton minimum which applies to water shipments will have no significance for a mill which must ship by rail in any case and the lower price will be extended to customers to whom the first mill would not have given it. Consequently, the first mill will find that the delivered price at X has fallen by \$1 and that inland competitors, by accepting smaller orders and delivering more quickly, are taking the bulk of the business there. It will ultimately be forced to ship by rail also and perhaps to accept mill net returns less than its base price. The net result will be to lower the delivered price at X, while all or most of the steel used there will still be carried by rail.

When competitors find that a lower delivered price has been made at one destination on navigable water, they may themselves initiate prices based on water freight at other towns, similarly located, believing that the first mill has made or will name lower prices all along the water route. Lower prices may thus extend from town to town, into areas in which the first mill intended to maintain its delivered prices based on rail freight. After buyers have become accustomed to the new price level, they may begin again to put pressure on the first mill to cut the prevailing delivered price by the amount of its savings on water shipment. And so the circle may be traversed again.

Price reduction of this kind throws delivered prices along the water route out of relation to the ordinarily applicable base prices. Such price changes spread to inland shipments. Frequently consumers located away from water are in competition with consumers on the water, and they will insist that the lower price should be given also to them. A steel mill is reluctant to see any customer losing his market, because that means a loss of business for the mill. Consequently, inland customers after a period of time, are apt to be given the lower price, merely because it is applicable to their competitors on the water route, thus tending to reduce the entire price level in a large area with no ultimate advantage to the mill initiating the lower delivered price.

Apart from theoretical considerations, however, it may be stated that the problems of water transportation have been greatly exaggerated by critics of the steel industry. In actuality, water transportation is not available to the extent suggested by the criticisms nor to the extent which might be supposed merely from a study of the location of steel mills and markets in relation to waterways, since there are many limitations to water transportation, the most important of which is that only very large tonnages can ordinarily be transported economically by water. Customer demand for water shipments is negligible and the only basis for such demand is the possibility of a saving in delivered prices, since water delivery is much slower and involves other inconveniences to the buyer. In a great many situations, charging the customer the water freight rate from the mill to the destination would not result in lower delivered prices than charging the rail freight rate from the applicable basing point to the destination, in view of the number and location of existing basing points. In many instances, where lower delivered prices would result, the actual water rate is charged or the customer is given all or a part of the saving resulting from water transportation.

(ii) *Truck Deliveries*.—When delivery by truck is cheaper than rail delivery, if the mill includes rail freight in calculating the delivered price, it will realize more than its base price. Critics will contend that it has charged "phantom freight". The situations with respect to which this criticism may be made, however, are limited by several factors.

Although almost any steel product can be shipped by truck, not every product can be shipped economically in that way. Light, flat rolled products are the easiest to load and to transport by truck. Many types of wire products also can be carried economically by truck. But the shipment by truck of heavy products, such as structural shapes, plates, heavy tubes, etc., which usually are ordered in carload quantities, is almost certain to cost more, both in money and in inconvenience, than delivery by rail.

Large consumers of steel, moreover, are usually equipped with railroad sidings, cranes, and other machinery for large-scale railroad car unloading operations. The use of trucks, which carry smaller loads, would require the installation of new equipment, while the smaller scale of operations would make it doubtful whether any savings could be realized, even if the cost of transporting by truck should be lower than by rail.

While there is considerable demand for delivery by truck of some products, it is primarily with a view to obtaining quick delivery of small quantities from nearby mills, rather than any advantage in delivered prices. Truck freight rates are generally substantially the same as rail freight rates for corresponding quantities, except in a limited weight range, and are not infrequently higher. On deliveries within the rail switching limits of producing centers, truck freight rates are almost always higher than the rail switching rates, and, on carload quantities, substantially higher. Also to be considered is the additional cost and inconvenience of loading trucks, which reduces any possibility of advantage to the mills. Subsidiaries of the United States Steel Corporation seldom receive any advantage from truck deliveries, and lose, rather than gain, on truck shipments as a whole. This is believed to be true of the steel industry generally.

Large consumers usually have found it unprofitable to use their own trucks in assembling raw materials at their plants. Trucks belonging to such an industrial company are generally forced to make an empty trip from the plant to the source of the raw materials. The use of trucks produces a saving only when the trucks have a pay-load both coming and going. An industrial company could fill its trucks on runs in both directions only by maintaining a staff to find business for the trucks, which would mean entering a new and competitive business as a sideline.

A practice generally exists in the steel industry of including in the delivered price to a buyer, who accepts delivery by sending his own truck to the mill, the rail freight from applicable basing point to destination, and allowing him a credit equal to 65% of the rail freight from mill to destination. This might be construed to mean that the buyer always pays one-third of the rail freight used in calculating the delivered price for the privilege of taking delivery by his own truck. This is true, however, only when the mill is at the basing point freightwise nearest to the buyers' destination. If the mill is not at any basing point, the effect of this practice will be either to increase the amount realized by such mill in excess of the base price at the basing point as a result of its geographical location, or merely to decrease the freight absorption which would result from a rail shipment. For example, suppose that the buyer is located \$.50 freightwise from the applicable basing point, while the mill is only \$.12 freightwise from the destination. In this case \$.50 per hundredweight will be included in the competitive delivered price, while only two-thirds of \$.12 or \$.08, will be allowed as a credit, thus resulting in a mill net return of \$.42 higher than the base price at the basing point. If the mill had shipped by rail it would have realized \$.38 higher than the base price at the basing point. Conversely, suppose the buyer is located \$.10 away from the applicable basing point, while the mill is \$.30 freightwise away from the destination. In this case \$.10 freight is included in the delivered price, while two-thirds of \$.30, or \$.20 will be allowed as a credit, thus resulting in a freight absorption of \$.10, as compared with \$.20 which the mill would have absorbed if it had shipped by rail.

Freight absorptions may also occur in the case of mills at basing points. For example, suppose that both Chicago and Cleveland are basing points, that a buyer located \$.10 freightwise away from Chicago sends his own truck to a Cleveland mill, perhaps in an effort to obtain a quicker delivery, and that the freight from Cleveland to the destination is \$.33. The mill will include \$.10 freight in computing its delivered price (based on Chicago as the applicable basing point), but will allow a credit of \$.22, which results in freight absorption of \$.12.

The practice of including in the delivered price the full rail freight from the applicable basing point and allowing a credit of only 65% of the rail freight from mill to destination is primarily due to the fact that the loading of trucks is more costly and inconvenient than the loading of railroad cars. It is undoubtedly true that truckloading generally costs more, and often considerably more than railroad carloading, although this is not universally the case. The inconvenience to the mills and indirect costs resulting therefrom is considerable at almost all mills. Such inconvenience arises from the problems of routing trucks through the grounds of large works, waiting for late trucks, arranging for trucks at the buyers' request, interruption of railroad carloading operations, etc., and is greater in the case of buyers' trucks. Undoubtedly the additional cost and inconvenience of loading trucks justifies an extra charge, particularly at older mills which were planned exclusively for carloading, and offer little possibility for installation of truck-loading facilities.

In summary, the answers to the criticism of "phantom freight" supposedly realized by steel mills on truck deliveries may be summarized in the following points: first, only an extremely small proportion of steel tonnage is delivered by trucks, partly because many products cannot be economically hauled by truck, and partly because large consumers prefer rail delivery. Secondly, truck movements frequently result in freight absorptions, sometimes because of the 65% allowance for shipments in buyers' own trucks, and also, because of deliveries within the switching limits of basing points, where only the "switching arbitraries" are included in the delivered price. Third, the rates of common carrier trucks, regulated by governmental agencies, are seldom much lower than rail freight rates, and sometimes are higher. Fourth, at the majority of mills it costs more to load steel into trucks than to load into railroad cars, and furthermore delivery to trucks involves inconvenience, loss of time, and other similar considerations which cannot easily be translated into dollars and cents. It seems clear that the mills are not profiting as a result of truck deliveries. The criticisms on this score are more theoretica than real.

(b) *Freight Absorption.*

(1) *General Discussion.*—When a mill competes with another mill which is closer freightwise than it is to the destination, it must meet the delivered price of such competitive mill in order to obtain the business. This usually results in the first mill not realizing a mill net return equal to its base price. Such difference is said to be "absorbed" freight. This practice has sometimes been criticised as discriminatory, because it is contended that the mills realize their highest mill net returns on sales to their nearest customers and progressively lower mill net returns as the distance to the customer increases. Critics say that under "perfect competition" the same mill net return would be realized on sales to every customer, with only such differences as were brought about by changes in the market price due to supply and demand. They contend that under the basing point practice the mills permit other mills to sell in their local territories, and, conversely, they themselves sell in the local territories of other mills, always at the delivered price calculated with reference to the applicable basing point, and with discriminatory mill net returns.

It is true that freight absorption of this kind and variable mill net returns were not contemplated by the classical theory of "perfect competition." Critics of the basing point practice ignore the fact that "perfect competition" is an abstraction, and was not intended, by the economists who developed it, as a standard to which all industries should conform. Furthermore, as has been pointed out, they assumed a freightless market so that neither buyer nor seller needed to be concerned about transportation costs.⁶⁵ Freight absorption is not by any means rare, or confined to the steel industry. Some customers of department stores, corner groceries, etc., carry their purchases home, while others have them delivered at no extra cost. Candy bars and cigarettes are sold at uniform prices all over the country and at varying distances from the factories where they are made. Competing railroads charge the same rate between two cities, though one of them may have a longer route than the other. These few examples will suffice to show that freight absorption occurs over a wide range of industry.

The competitive reasons for such a practice in the steel industry can best be understood by considering the problems of a producer located at a particular

⁶⁵ See the testimony of Prof. F. A. Fetter before the Temporary National Economic Committee, T. N. E. C. Record, p. 329. In the discussion of Prof. Fetter's theory of markets, the following question was asked:

Mr. Frank: This is a picture of a railroad-less world?

Professor Fetter: Yes, it is really, of a non-transporting price. A freightless market, in other words.

producing center—Pittsburgh, for example. The mills in the Pittsburgh district have a freight advantage over outside mills in selling in their own local territory, that is, in and around Pittsburgh. Naturally, therefore, they will quote delivered prices which realize as fully as may be this advantage of location over their farther away competitors. The discussion of the location of steel mills has shown that the most economical locations are those near the sources of raw materials. Consequently, capacities of steel mills in those areas are usually large enough to supply much more than the local demand. The producer in Pittsburgh undoubtedly will have facilities of such size that the full output thereof cannot be sold in the area in which he has a freight advantage over other mills. He may choose between three courses. First, he may sell as much of his output as he can in the area around Pittsburgh, and not attempt to dispose of the balance of his output. Or, he may lower his base price in an effort to expand the area in which his delivered price will be as low as or lower than that of his competitors at other basing points. Or he may maintain his base price on sales in the Pittsburgh area, and sell the rest of his output in territories nearer to other mills by meeting the delivered prices of such competitive mills, thus realizing lower mill net returns on such sales than on sales in the Pittsburgh district.

The producer is not apt to be content with selling only that part of his output which can be disposed of in the territory around Pittsburgh at the prevailing prices. The resulting low rate of operations would greatly increase his unit costs, and reduce his margin of profit. On the other hand, he is not likely to initiate a lower base price in his own local territory, because that is the area in which he rightfully has the greatest advantage over competitors. So long as competition does not compel him to quote a lower base price there, he is not likely to do so. This leaves open to him the one remaining course, which is, while selling as much of his output as he can in his own local territory, to sell the balance in areas nearer to other mills, where they have a freight advantage over him, at a lower mill net return. In the steel industry, one producer's advantage over another is for the most part geographical, and is reflected in different freight rates on both raw materials and finished steel. Consequently, a producer will try to reach the existing markets and in so doing may sell a part of his output at points nearer to other mills, meeting the prices of such competitive mills and thus realizing a lower mill net return on such sales. It is natural and proper for a producer, in an effort to keep his mill busy, to sell steel in the different consuming areas where business is available, in this way realizing varying mill net returns on his business, the variance representing freight absorption.

The NRA Report thus described the reasons for such freight absorption: ⁶⁶

"* * * Producers regularly set a lower minimum when figuring a special price to capture a special class of new business than when figuring a general price for the main body of their sales. For special prices, the minimum is likely to be close to 'out-of-pocket' or variable costs, while for a general price producers will not bid below the total costs which they must cover if they are to keep running. The difference between these two levels is frequently substantial, and lies at the bottom of the practice of absorbing freight to extend a producer's sale area."

This NRA Report also contained the following summary, in which it was stated that such freight absorption and such variable mill net returns are the natural results of bona fide competition: ⁶⁷

"* * * the industry includes localities where several competitors are grouped, and others at which there is only one producer. In the latter case, the only kind of competition met is competition at a distance, while in the former case, both near-by and distant competition may be met. For example, the Pittsburgh switching area contains a number of different producers who compete not only with each other, but also with producers located at Birmingham, Chicago, and other places.

"Fourthly, this competition at a distance is the kind in which, in order to reach out a little farther and acquire some additional business, a producer will be willing to accept on this additional business a lower net yield than the minimum which he must receive on the average from his whole business, provided he is not in some way required to extend this low net yield to his entire output if he accepts it on any business at all. The reasons for this have been discussed under 'Guiding Principles,' II, 3 above, p. 38ff.

"Fifthly, freight rates are substantial, relative to prices, with the result that a difference in freight rates, if the customer has to pay them, is just as decisive as a difference in prices in determining which producer will get an order. And at the

⁶⁶ NRA Report, pp. 61-62.

⁶⁷ NRA Report, pp. 120-122.

same time the freight rates between different producing centers are considerably less than the margin of difference in net yields which a company may voluntarily accept on different units of business in the attempt to cover its constant costs as best it can. In other words, the freight rates are not more than producers of this character are willing to absorb in order to sell more goods by extending their marketing areas; and they must be absorbed if a producer is to extend his marketing area toward the location of a competing producer and into the area where that competitor is now selling unless he voluntarily reduces his price on nearby sales to less than existing competition forces him to accept.

"In an industry marked by these characteristics, discrimination and freight absorption are natural results of bona fide competition. They result because competition acts with different force in different parts of the market. The conclusion that a producer accepts a lower net yield on a part of his sales only because he has raised the net yield on the rest of his business to a monopolistic level, is unwarranted. It may, of course, be true in a given case. But the mere existence of discrimination does not prove it. The discrepancy is quite adequately explained by the difference between competition for added business at the fringe of one's market, and competition affecting one's main output over the principal part of his market area."

(2) *Cross-Hauling*.—Due to competition and the necessity of obtaining an even flow of orders, most of the larger producers of steel compete in all of the major markets for their products. Consequently, while one mill may sell at points nearer to other mills, more distant mills are making sales in territories nearer to it. Thus, some of the shipments of steel from mill to destination cross each other. Critics of the basing point practice have called such shipments "cross-hauling" and have contended that cross-hauling results in great economic waste.

The issue is somewhat beclouded by the fact that such critics have never described with any degree of accuracy what they mean by this ambiguous term "cross-hauling", which they condemn so heartily. Strictly speaking, the term means shipments which cross each other, and the criticisms are often so phrased as to create a mental image of freight trains passing in opposite directions on parallel tracks loaded with identical steel products. Clearly, however, the criticism is not limited to the extreme case which is used to support it. Some statements of such critics indicate that they would consider any shipment to a destination from any mill other than the mill nearest such destination as a cross-haul, irrespective of whether there was a corresponding shipment in the opposite direction. If such critics intend to criticize something more than cross shipments of substantially identical products at approximately the same time, some other term should be used as the expression of the supposed evil. In fact, cross-hauling is the necessary result of competition.

In substance, the criticism is that transportation costs in the steel industry are so high as to involve economic waste and to result in inordinately high prices for steel products. Actually the steel industry does not have excessive distribution costs, as is evidenced by the fact that such costs are lower in that industry than in most other industries. In a study of distribution costs of 312 manufacturers in 1931,⁶⁸ "Iron and Steel and Their Products" ranked among those having the lowest distribution costs of the 29 industries investigated. The steel industry proper, undoubtedly, had even lower distribution costs than those companies included in the classification "Iron and Steel and Their Products", if the records of the United States Steel Corporation are in any way indicative of the average costs for the steel industry.

The problem of cross-hauling resolves itself into the question of what transportation costs are unnecessary and, at the same time, avoidable without the incurrence of other costs which would have an effect upon steel prices similar to that which it is charged results from so-called cross-hauling. It is impossible to measure quantitatively the amount of transportation costs which might be considered unnecessary from any point of view, and it is equally impossible to measure the economic costs which would result from any interference with present practices, or, more specifically, from any direct or indirect limitation of selling territories. However, many of the factors in the steel industry which necessitate the wide distribution of the products of steel mills have been considered herein; and

⁶⁸ "Analysis of the Distribution Costs of 312 Manufacturers", published by the Association of National Advertisers and the National Association of Cost Accountants (N. Y. 1933), pp. 64, 106.

consideration may be given at this point to the contention of the Federal Trade Commission that the above mentioned freight absorption is a measure of uneconomic cross-hauling.

This position is entirely untenable, as such freight absorption is not a measure of cross-hauling in any sense, and is certainly not a measure of unnecessary and avoidable transportation cost. A few examples will emphasize this point.

(1) Some freight absorption occurs when the mills which are nearest freightwise to the destination do not have sufficient capacity at any time to supply the demand at such destination. To the extent that shipments from more distant mills supply the excess demand, there is no economic waste.

(2) Some freight absorption results from shipments to destinations for which the applicable basing points are Gulf of Mexico Ports or Pacific Coast Ports. Only two of such ports are producing points and these are relatively minor producing points, so that in most cases the delivered prices are less than the sum of base price plus freight from any mill. Such freight absorption certainly does not represent excessive transportation costs.

(3) Freight absorption occurs in shipments from mills, located within a 25- or 50-mile radius of basing points, to the basing point city, or its immediate vicinity. The amount of absorption per ton is minute, and any saving resulting from its elimination would not justify an artificial prohibition against the mills in such a small area competing with respect to all the business in that area.

(4) Some freight absorption occurs on shipments from one mill belonging to a steel company, which has another mill located nearer the destination. Obviously, there are compensating economies which cause such shipments. Even products of a single general classification, such as plates, differ greatly in size, gauge, metallurgical analysis, etc. When a mill in one area is engaged in producing one kind of plates, it is often more economical to ship another kind of plates from a mill in another area rather than to change the production schedules at the first mill. Furthermore, the demand for many specialized products is not large enough to justify their production at more than a few mills. Production will often be concentrated at one or two points, although the product is sold in areas nearer other producing mills.

(5) Some freight absorption occurs as a result of shipments by a transportation medium more expensive than that used in calculating the delivered price; e. g., shipments by rail where the delivered price reflects the cost of water transportation, and shipments in less than carload lots of a large order priced on the basis of the carload rate. Similarly, freight absorption occurs in some cases because the customer is charged freight on the weight of the steel alone while the mill pays freight on the total weight, including packing and blocking material. Such freight absorption cannot be condemned as economic waste.

(6) Some freight absorption occurs as a result of customer preferences. Among the bases of customer preference are suitability of the product of a particular mill to a particular customer's needs, conditions of service, including time of delivery and desire on the part of customers to maintain several sources of supply. If economic waste is here involved, it is, nevertheless, waste which could be eliminated only at the expense of arbitrarily depriving steel consumers of any choice in their source of supply.

The circumstances above enumerated indicate clearly that freight absorption is no accurate measure of cross-hauling as this term is used by the critics, that is, in the sense of an economic waste. There is a further important consideration, however, which must be emphasized. A large amount of freight absorption may occur in shipments from mills, located near the source of raw materials, to destinations nearer to competitive mills which have longer hauls of raw materials. To consider such freight absorption alone gives a most incomplete picture. Offsetting this freight absorption is the saving in transportation charges, as compared with such competitive mills, which such mill has secured by being located near its source of raw materials. Clearly economic waste is not involved in such cases.

Before cross-hauling is condemned, it should be proven that the alternative would not involve economic costs, by way of transportation or otherwise, in excess of the supposed saving which would result. Not to be overlooked is the interference with competition which would necessarily be the consequence of any artificial limitation of marketing territories. Freight absorption is primarily produced by competition in the steel industry.

(c) Summary.

In this section, two causes of variation in mill net returns have been considered one of which results in a mill net return above the base price, while the other results in a mill net return below the base price. Both of these variations have been

criticized as symptoms of monopoly. It has been shown, however, that the realization of mill net returns above the base price which critics misname "phantom freight", is actually the result of competition; it is the way in which a producer realizes his competitive advantage over other producers resulting from his superior geographical location. The realization of mill net returns lower than the base price, which critics term freight absorption, also results from the competition of producers at varying distances from the destination for the same business. Without freight absorption, freight rates would set up a wall between different producers and their markets, greatly limiting the area over which competition now takes place, and producing in many parts of the country virtual monopolies.

It is true that variable mill net returns of the kind found under the basing point method do not represent the uniform market prices which would be expected if the assumptions of the theory of "perfect competition" were realized. The fact is, however, that these variations from the classical assumptions, which are also found in other industries, are due to certain inherent characteristics of the steel industry, primarily the importance of low assembly costs in determining the location of steel mills, the large size and great cost of integrated and diversified steel mills, the geographical separation of producers, the geographical distribution of demand and the nature of steel production costs.

D. THE PROPOSED ALTERNATIVE TO THE BASING POINT METHOD

1. INTRODUCTION

In the preceding discussion, it has been pointed out that the theory of "perfect competition" is an abstraction, and that the steel industry, like other industries, varies from the theoretical assumptions underlying "perfect competition"; that the basing point method is not a responsible cause of variations from the theory; that the underlying causes are economic factors which are independent of the basing point method; and that monopoly or monopolistic practices are not among the underlying causes. The basing point method is not evidence of monopoly, nor is it caused by monopoly.

Consideration may be given, however, to the question of whether these differences from the assumed conditions of the theory of "perfect competition" are desirable from the point of view of the public welfare.

In order to satisfy one of the theoretical requirements of "perfect competition", it would be necessary that there be steel mills scattered all over the country near each market and that there be many separately owned mills at each location. The reasons why this physical division of mills could not be accomplished economically in the steel industry have already been stated. First, raw material assembly costs limit the locations of mills to a few areas. If mills were erected in other districts, more than four tons of raw materials would have to be hauled to the mills for every ton of steel produced. Second, large scale diversified operations are cheaper than small scale operations. Thus, if the present large units were broken up and replaced by scattered small mills, both assembly and production costs would be higher than they are now and would be reflected in higher prices for steel products. A mill of economical size near the sources of raw materials probably could and would undersell these local mills in their own territories gradually forcing a return, through competitive pressure, to present conditions, unless artificial barriers were set up. Third, mills large enough to produce many products inherently have large capacity, so that the scattered mills would merely result in duplication of capacity. To approximate another condition of theoretical "perfect competition" in the steel industry, the same conditions would have to exist with respect to the buyers as with respect to the sellers, and on the buyers' side either the economies of size would also gradually cause a return to present conditions or the disregard of such economies would result in higher prices.

Thus it appears impossible to produce in the steel industry an imitation of the assumed conditions of "perfect competition" along classical lines. It should be remembered, however, that the same is true of all other industries in our economy.

In considering the desirability of "perfect competition" in the steel industry, even if it could possibly be attained, a principal factor is the cost to the public which it would entail. The costs involved in breaking up sellers and buyers so as to have many competitors on both sides of the market has been dealt with in a preceding paragraph. Another element previously discussed, which cannot be overemphasized, is the effect of the business cycle.

As has been pointed out herein, the business cycle was ignored in the thinking which led to the development of the theory of "perfect competition". The classical economists assumed fairly steady demand or, at least, moderate, long-run

shifts in demand. Working on this assumption, they concluded that "perfect competition" would result in the elimination of high-cost producers, would limit the profits of average and low-cost producers to a reasonable amount, and would prevent any great amount of excess capacity or of deficiencies in capacity. The business cycle, however, produces enormous fluctuations in demand, particularly for producers' durable goods, such as steel. These fluctuations are independent of price. Due to such fluctuations, "perfect competition" would produce results vastly different from those contemplated by the classical economists.

Cyclical fluctuations in demand tend to produce a disproportion between capacity and demand at either the lower or upper phases of the cycle, which conditions are not satisfactory to industry or to the public. Particularly in the steel industry, which requires large and expensive plants and machinery, either facilities will be built to supply peak or near-peak demand, which will result in idle capacity during the other phases of the cycle, or facilities constructed to supply a lesser demand will be insufficient to supply the peak demand, with the result, in the upward phase of the cycle, of a scarcity and a great rise in prices which might well impede the development of the expanding economy. It is important to note that no matter which course the industry may take, dislocations will occur which were not contemplated in constructing the theory of "perfect competition."

The steel industry has facilities for supplying the peak or near-peak demand for steel. This is shown by the high operating rates during the big production years of 1929 and 1937, and the present operating rate of more than 90% of ingot capacity, which rates may be compared with the low operating rates during the intervening periods.

The injection of the phenomenon of the business cycle has a profound effect upon the supposedly beneficial consequences of the classical theory of "perfect competition". It has been assumed that if "perfect competition" along classical lines could ever be established, it would produce wholly beneficial effects for society. No one, however, has ever demonstrated that these effects would follow from "perfect competition" in an economy affected by a pronounced business cycle. In the absence of such a demonstration, it is impossible to make any correct assumption that deviations from the theory of "perfect competition" are damaging to the social welfare. On the contrary, it is quite possible that these deviations, by interrupting or checking some of the more abrupt changes in the course of the business cycle, perform a valuable social and economic function.

In considering the question of the social desirability of the basing point practice, it is necessary to keep constantly in mind the fact that practical analysis cannot be made in a vacuum. It requires an investigation of alternatives. The practical problem is whether any alternative would not cost more than it would contribute. The only alternative seriously suggested by the critics of the basing point method is the uniform f. o. b. mill price system.

2. THE PROPOSED UNIFORM F. O. B. MILL PRICE SYSTEM

The uniform f. o. b. mill price system, proposed by the Federal Trade Commission and by Professor Fetter, would require every mill to sell all its products at prices quoted f. o. b. the mill. The prices at each mill would have to be uniform for all buyers. In other words, every mill would have to sell its product at the mill door, at the same price to every buyer, leaving the buyer to find his own means of transportation from mill to destination.

The Federal Trade Commission has publicly taken the position that the uniform f. o. b. mill price system was prescribed by its 1924 "cease and desist" order directed against certain subsidiaries of the United States Steel Corporation in the "Pittsburgh Plus" case.⁶⁹

The origin of the proposed uniform f. o. b. mill price system probably is to be found in the testimony of certain economists who testified in the Pittsburgh Plus case against the continuation of that practice. The trial examiner found as a fact that prices of steel products had been quoted f. o. b. the mills until the Pittsburgh Plus practice began to be followed some time in the 1890's. However, it is known that about 1750 iron products were sold on a Philadelphia base, with outlying mills absorbing freight in order to bring their product to the central market. The Federal Trade Commission appears to have taken the view that f. o. b. mill prices were the rule until the beginning of the Pittsburgh Plus practice.

From this assumption the Commission and other critics seem to have concluded that f. o. b. mill prices are the "natural" way of quoting steel prices. This

⁶⁹ See the Federal Trade Commission's pamphlet "Monopoly and Competition in Steel," submitted in March 1939 at the hearings before the T. N. E. C., p. 13. An appeal from such 1924 order of the Federal Trade Commission is now pending before the United States Circuit Court of Appeals for the Third Circuit.

opinion is bolstered by the further assumption that the "true market" for steel is at the mill. From this reasoning has come the conclusion that uniform f. o. b. mill prices would reproduce all the assumed conditions underlying the theory of "perfect competition", and would produce all the beneficial results which are supposed, under classical theory, to follow from "perfect competition". This is the basis of the view that a substitution of uniform f. o. b. mill prices for the basing point method would result in lower prices for steel, better locations for steel plants, and, in general, a cure-all for the various alleged defects of the basing point practice.

(a) *"Perfect Competition" and the Uniform F. O. B. Mill Price System.*

Since the Federal Trade Commission's view developed, at least in part, from the supposed earlier f. o. b. mill prices, it should be pointed out that the proposed uniform f. o. b. mill price system differs fundamentally from its earlier model in the requirement that mill prices be uniform to all buyers. There is no reason to suppose that such earlier f. o. b. mill prices, if they existed at all generally, were the same to all buyers. Undoubtedly, competition must have forced producers to quote lower prices to customers located nearer other mills, which had geographical advantages in selling to such customers. The requirement that prices of a producer be uniform is arbitrary from the point of view of the producer, both in and of itself and because of its consequence of strictly limiting the selling territory of his mills. Since wide distribution is necessary to obtain an even flow of orders and for other reasons which have been discussed, the producer naturally attempts to realize the highest mill net return on each sale. Thus when he is dealing with a customer near to him, who cannot purchase from another producer without the addition of the freight from this other producer's plant, the nearer producer will, in some circumstances at least, quote a price which is equivalent to what the buyer will have to pay if he purchases elsewhere. In other cases he will be forced to meet the price of competitive mills which are nearer to the buyer. Thus sales at varying mill net returns are natural in the steel industry and result from the play of competitive forces. A requirement that all sales by any producer be made at uniform prices regardless of the buyer's location is artificial. It means that the producer must either refrain from taking orders which are necessary to the operation of his mills, or else he must extend a lower price to customers near his mill when competition does not compel him so to do.

Under the uniform f. o. b. mill price system a producer would have to find a price which would cover his total costs, including overhead, and at the same time extend his sales over an area broad enough to keep his mill operating at an economical rate. If any mill's costs and geographical relation to its customers should be such as to permit a satisfactory solution of this problem, it would be an exceptional case.

Consideration may also be given to the question of the extent to which the proposed uniform f. o. b. mill price system would bring about the assumed conditions of "perfect competition," as contended by the Federal Trade Commission.

For the most part, the sales of steel producers would be restricted to an area surrounding their own mills. If they set prices low enough to permit sales to be made in the territories of other mills, retaliation by the latter mills would naturally follow. In consequence, buyers for the most part would be reduced to purchasing from the nearest mill, unless price differentials at different mills were so sharp as to permit a lower delivered cost on a shipment from a more distant mill. In any event there would be very little or no choice.

In some districts where there are many mills, local buyers might have some choice of sources of supply.⁷⁰ The number of producers among whom they could choose and who would be competing with each other for each buyer's business would, however, be greatly reduced. Any single producer located at a distance from all other mills would have a virtual monopoly with respect to the buyers in his territory. Competition would be principally along the boundary between the market territories of geographically separated mills and, at all relative price levels, would actually be limited to a few points.

It is difficult to understand how such a competitive situation would conform to the assumed conditions of the theory of "perfect competition." The theory requires many buyers and many sellers in contact with each other. In most producing districts, however, there are not more than two or three competing producers, and in many areas there is only one. Since buyers, for the most part, would buy from the nearest mill because its price plus the transportation charge to destination would be the lowest, there would often be only one producer and

⁷⁰ This would not necessarily be true. See the detailed map p. 90, *infra*.

never more than a very few producers with whom each buyer could be in contact. On the buyers' side there would be the same number at each point of competition as at present, but no more. This certainly does not correspond to the assumptions of the classical theory of "perfect competition."

It is also unlikely that new mills would be constructed near the mill of an isolated producer who was realizing a high price, unless the local market was greatly in excess of the output of such isolated producer. The capital investment required for a steel plant is extremely large, and the nature of the business, with its difficult production processes, would make the enterprise very questionable. Furthermore, a new mill, and particularly a small one, would have high production costs, and would be more than likely to accept the price structure as it found it. Thus, it seems unlikely that even over the long run any substantial increase in the number of producers in any district would occur under the proposed price system. A law cannot prevent large scale operations being cheaper than small scale operations, or shift the iron ore and coking coal deposits to different and scattered locations.

It thus appears that the uniform f. o. b. mill price system would not produce conditions resembling those assumed in the theory of "perfect competition." It would simply be the substitution of a new set of variations from those assumed conditions. The assertion that the uniform f. o. b. mill price system would produce all of the assumptions of "perfect competition" cannot be supported, and it, therefore, cannot be presumed that this system would produce the social and economic benefits which it is supposed would result from the realization of "perfect competition."

Some economists have expressed the opinion that the suggested uniform f. o. b. mill price system would not produce theoretical "perfect competition." The NRA Report, for example, says:⁷¹

"Professor F. A. Fetter's discussion of basing point practices classes as competitive only that type of price structure which would result from rivalry between producers located at identical shipping-points, and thus classes as monopolistic all modifications of the price structure resulting from rivalry of producers at a distance from each other. From the standpoint of this second variety of competition it would be equally valid to class as monopolistic the uniform mill-base price system which Professor Fetter accepts as the only truly competitive structure."

Professor de Chazeau has written of Professor Fetter's "Masquerade of Monopoly" as follows:⁷²

"Nowhere in his book is there the faintest recognition that the economic conditions of production and distribution may have become fundamentally inconsistent with the existence of perfect competition. Professor Fetter never raises the question: What method of pricing can be made to work in the steel industry? His defense of the mill-base price rests not on an analysis of the steel industry but on a deduction from the concept of a free market under perfect competition. This is unfortunate. As an exposition of monopolistic discrimination, Professor Fetter's book is authoritative; as a proof of the economic feasibility and social desirability of the mill-base price for steel, it is irrelevant except in so far as the opinions of a recognized economist command respect."

(b) *The Effects of the Uniform F. O. B. Mill Price System.*

(1) *The Nature and Extent of Competition.*—Existing steel mills have been located largely by reason of low raw material assembly costs. They are obliged to sell their products over wide areas. Most of such mills have developed large scale operations, with the object of supplying the entire country from a small number of producing districts. Nevertheless, some isolated plants have been erected, at points like Detroit; Granite City, Illinois; St. Louis; Kansas City; Pueblo, Colorado; and Birmingham, Alabama. There are some areas with many producers whose total capacities far exceed local demands, and other areas in which there is only one producer, and, over great expanses of the country, no producer at all.

A uniform f. o. b. mill price system would affect the closely grouped producers and the isolated producers in different ways. An isolated producer would be protected from other producers by a wall of freight rates, and would be able to charge high prices to consumers in his own area.

The Federal Trade Commission says that in such a case either outlying producers would set lower prices and force the isolated producer to lower his own price, or someone else would construct a mill nearer the isolated producer, and would compete with him in his own market. These suppositions would probably not be

⁷¹ NRA Report, pp. 59-60.

⁷² Daugherty, etc., "Economics of the Iron & Steel Industry," p. 547, note 1.

realized. In the first place, if an outside producer tried to compete by naming a lower price, he would have to extend that price to all of his customers. He would be much less likely to reduce prices than he is under the present practice, which does not require him to realize the same mill net return on sales to all customers, including those from whom, owing to a geographical competitive advantage, he can realize a higher mill net return. Thus, under the proposed uniform f. o. b. mill price system, unless the isolated producer's price were exceedingly high, outlying producers could not afford to name a price enough below his to take any substantial part of his market. These same outlying producers, it should be noted, are probably today willing to compete in that area by accepting a lower mill net return on that part of their output which can be sold in the market territory of the isolated producer. The artificial requirement of uniform mill net returns would prevent this existing competition.

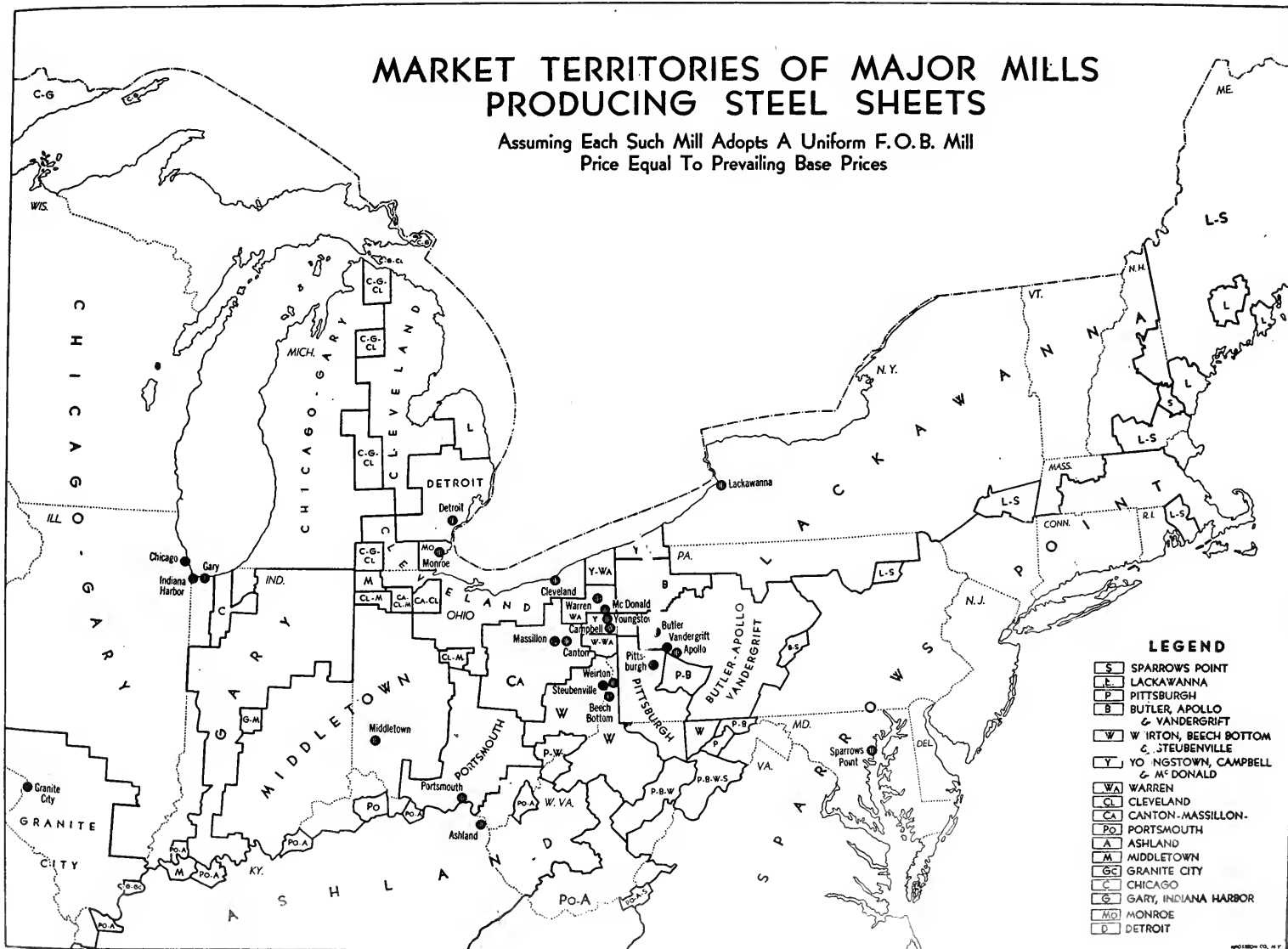
The producers who are close together would be in intense competition with each other, not only because of their nearness to each other, but also because they could sell only in the territory around them in which demand would be far below their total capacity. For example, the numerous producers in the Pittsburgh, Youngstown, and Canton-Massillon districts could sell only in the territory surrounding them, and in that territory demand would be by no means sufficient to keep their mills operating at an economical rate. The Federal Trade Commission appears to believe that such groups of mills would enlarge their sales territories by setting lower base prices than the price at surrounding mills. However, there are very definite limits to the adjustments which can be made in that way. At Pittsburgh, for example, a producer would not only find intense competition from other mills in the Pittsburgh district, but he would also find that lowering his base price would not extend his sales territory to any great extent, because Pittsburgh is surrounded by Youngstown to the northwest, Weirton to the southwst, Bethlehem and Johnstown to the east and Buffalo to the north.

One possibility which might be envisaged with respect to some products is that the mills at Pittsburgh would set their price low enough to enable them to sell up to the nearest mill in each direction, and that such mills would in turn set prices which would enable them to sell beyond up to the next nearest mill. The resulting price structure would greatly resemble that which existed under Pittsburgh Plus. However, it is more probable that the mills surrounding Pittsburgh, at least at first, would attempt to meet any lower prices that Pittsburgh mills might name. The net result of competition of this kind would necessarily be the elimination of some mills. It is asserted that this result would be beneficial, because the highest cost producers would be eliminated in accordance with the theory of "perfect competition" and the alleged excess capacities would thus be withdrawn from the market. It is by no means certain, however, that the high-cost producers would be the ones to be so eliminated. Financial strength would play a decisive part in determining which mills were eliminated. A company with several mills might make enough from its lower cost units to keep a higher cost unit in business until it had eliminated a more economical competitor. In these, and in many other ways, the elimination of producers would vary from the classical assumption that the high-cost plants would be driven from the market.

There is another extremely important factor in the market for steel which must be taken into account. Steel is sold in the form of many different products which vary all the way from semi-finished products, such as ingots or slabs, to highly finished products such as cold reduced strip; and from light polished wire to heavy wide-flange beams. The uses of steel products vary from fine wire used in musical instruments to thick plate used in the construction of ships, or heavy girders in skyscrapers and bridges. The market for every product in this wide range varies. For example, wide-flange beams are used very largely in big cities such as New York and Chicago. Sheet piling is used almost exclusively in harbors and other developments on the shores of the oceans and Great Lakes and in navigable rivers. Sheets and strip in one form are used in the manufacture of automobiles and furniture, and in other form for the construction of roofs for barns and houses, or in the manufacture of pails and agricultural implements. Tin plate is used in the manufacture of many varieties of cans extending from the heavy milk can to the tiny sardine tin. Thus, there are tremendous differences in the market for different steel products. Some are highly specialized and are purchased in only a few districts and by a few buyers, while others are used for many purposes over wide areas and are sold to many different kinds of buyers. The effect of a uniform f. o. b. mill price system upon the steel industry cannot be envisaged without considering its different effects upon the markets for all of these products. For example, one producer, making a range of products from thin strip to wide-flange beams might find that the low price on some of his

MARKET TERRITORIES OF MAJOR MILLS PRODUCING STEEL SHEETS

Assuming Each Such Mill Adopts A Uniform F.O.B. Mill
Price Equal To Prevailing Base Prices



products could be recouped by high prices on other products. A producer nearby, however, making only sheets and strip might be driven out of business by low prices on those products. If a producer had plants in several different districts, it would be still more difficult to foretell what effect the proposed system would have upon him.

In order to illustrate some of the complexities of the situation, the accompanying two maps have been prepared showing the distribution of sheets under the proposed uniform f. o. b. mill price system. The first map shows the locations of seventeen major sheet producing points, together with the territories in which the mill or mills at each such point would be able to sell sheets under a uniform f. o. b. mill price system, assuming prices corresponding to the present level.⁷⁴ The areas in which the mills of each producing point could sell, either exclusively or in competition with mills at other producing points, are marked with the name or symbol of such producing point. Under the existing freight rate structure, no mill would be able to sell sheets in areas other than those marked with its symbol.

The first map demonstrates the rigid and arbitrary nature of the system recommended by the Federal Trade Commission. The uniform f. o. b. mill price system would arbitrarily fix both the size and boundaries of the selling territory of each mill, and the size of its market area would depend generally upon the proximity of other mills. Thus, mills at Sparrows Point, Maryland, and Lackawanna, New York, would, between them, have a monopoly of the sheet market in the entire North Atlantic Seaboard. Likewise, the mills at Chicago and Gary-Indiana Harbor would have as their exclusive selling territory for sheets all of Wisconsin, the Northern sections of Indiana and Illinois, and the Western half of Michigan, not to mention territory to the west not shown on this map. In contrast, the mills located in Western Pennsylvania and in Ohio, which have very large sheet producing capacity, would have very restricted selling areas. The mills at Youngstown-Campbell-McDonald could sell sheets in only two counties in Ohio and five counties in Pennsylvania, and the territory of the Pittsburgh mills would be almost equally circumscribed.

The first map shows graphically the series of local monopolies for the sale of sheets which would be created by a uniform f. o. b. mill price system. A vast majority of all areas would be allocated exclusively to a single producing point, and only a few small areas would enjoy competition from more than one source. All of the important steel sheet consuming centers, Detroit, Chicago, Milwaukee, Cleveland, Toledo, Cincinnati and Philadelphia, would be in the exclusive territory of a single producing point. The areas in which more than one producing point could compete do not include any which have a large consumption of sheets.

The arbitrary character of the limitation of territory, resulting from such a rigid pricing system operating under the present freight rate structure, is further illustrated by the pattern of the selling territories of certain mills. For example, the mills at Warren-Niles and Youngstown each would have monopolies for the sale of sheets in the counties in which they are located, Trumbull County and Mahoning County, Ohio, respectively. Warren-Niles and Youngstown would share the County of Ashtabula, north of Trumbull County, Ohio, while the mills at Warren-Niles, passing Youngstown, would share Columbiana County, Ohio, to the south of Mahoning, with the mills of the Weirton group, and Youngstown mills could not reach this county. Similarly, the Canton-Massillon mills would share with the Cleveland mills Henry and Wood Counties in Northern Ohio, after passing considerable territory in which the Cleveland mills would have a local monopoly. To be noted also are the sheet selling territories of Chicago and Gary. These mills would share most of the territory which either could reach, including certain Indiana counties. However, there are three Indiana counties in which Chicago mills, after passing Gary, could undersell the Gary sheet mills, and a large area in which Gary mills, after passing exclusive Chicago territory, would have a monopoly for such sales.

⁷⁴ The first map was constructed on the following principles:

Producing Points—The 17 major producing points are those which, according to the American Iron & Steel Institute Directory, have modern continuous or modernized mills with a substantial capacity for the production of sheets. Outmoded hand-mills and mills having small capacities were not considered. In some cases, two or three mills located close to each other were grouped together, such as the mills at Butler, Vandergrift and Apollo, since the freight rates from each such mill to most consuming areas are the same.

Prices—Mill prices equal to prevailing basing point prices at nearest basing points were assumed. This would result in a price of \$40 per net ton at all producing points, except at Detroit and Granite City, where a price of \$42 would result, and at Monroe where a price of \$43 would result, corresponding to existing differentials at each point.

Method of Allocation of Territory—Territory was allocated upon a county basis, each county being assigned to the producing point or points from which there exists the lowest freight rate to one or two key towns in the county. (In the case of counties near differential producing points, the lowest combination of mill price and freight was used). All-rail carload freight rates were used, except in the case of certain counties along the Ohio River having facilities for handling large shipments, for which barge rates were used.

The arbitrary nature of the allocation of territory under the uniform f. o. b. mill price system, and the limited points at which competition could occur, is even more strikingly illustrated on the second map, which also concerns the sale of sheets. This map gives a somewhat microscopic view of a section of Western Pennsylvania and Eastern Ohio. Whereas the allocation on the first map was on a county basis, according to existing freight rates on sheets from producing points to one or two key towns in each county, on the second map allocation is on a town basis, all towns of any importance in each county being separately allocated to the mill or mills from which the existing freight rates to such towns are lowest. The symbol of the mill or mills which can sell sheets in each such town are marked in heavy print.

Although the first map indicated that competition for the sale of sheets between groups of mills would be possible in various areas shared by them, the detailed second map shows that even in such areas many towns would be served exclusively by one producing point—there being only a few towns that would enjoy competition in the sale of sheets from more than one producing point. For example, the County of Columbiana, in Eastern Ohio, is shown on the first map as being shared by the mills at Warren-Niles and by the mills at Weirton-Beechbottom-Steubenville. The detailed second map shows, however, three towns accessible only to the Niles mill, one accessible only to the Steubenville mill, and a fifth town accessible only to the Canton mill. So, too, Crawford County in Northwestern Pennsylvania, indicated on the first map as shared by the Youngstown and Butler groups of mills, is shown on the detailed second map to have six towns which can be reached only by the mills of the Youngstown group and one town shared by the mill at Butler and the mills of the Youngstown group. Another example is Westmoreland County, Pennsylvania, adjoining Allegheny County on the East, which was divided on the first map between the Pittsburgh mills and the Butler group of mills. On the detailed second map it appears that six towns in this county would be reached only by the mill at Dravosburg, another town would be reached by the mill at Vandergrift alone, still another would be shared by the mills at Dravosburg and Apollo, and the remaining town would enjoy the competition of the mills at Pittsburgh, Brackenridge and Vandergrift.

Consideration should also be given to the territories shown on the first map as the exclusive sheet marketing areas of a group of mills located very near each other, such as at Butler-Vandergrift-Apollo. It would appear from the first map that the competition between all these mills would exist throughout the area allocated to them as a group. The detailed map shows that this would not be the case and that frequently only one mill of the group would reach a particular town, while the majority of towns would be reached by not more than two mills. For example, seven towns in Butler County, Pennsylvania, adjoining Allegheny County on the north, would be served exclusively by the mill at Butler, and in Cambria County, Pennsylvania, five towns would be reached by the mill at Apollo alone, while three towns would be served by the mills at Apollo and Vandergrift. Similarly, in the area to be shared by the mills at Weirton-Beechbottom-Steubenville, all towns in Belmont County in Eastern Ohio would be reached only by the mill at Beechbottom, while in Jefferson County, just north of Belmont, two towns would be accessible to the Steubenville mill alone, a third would be shared by the mills at Steubenville and Weirton, and a fourth would be served by the Canton mill.

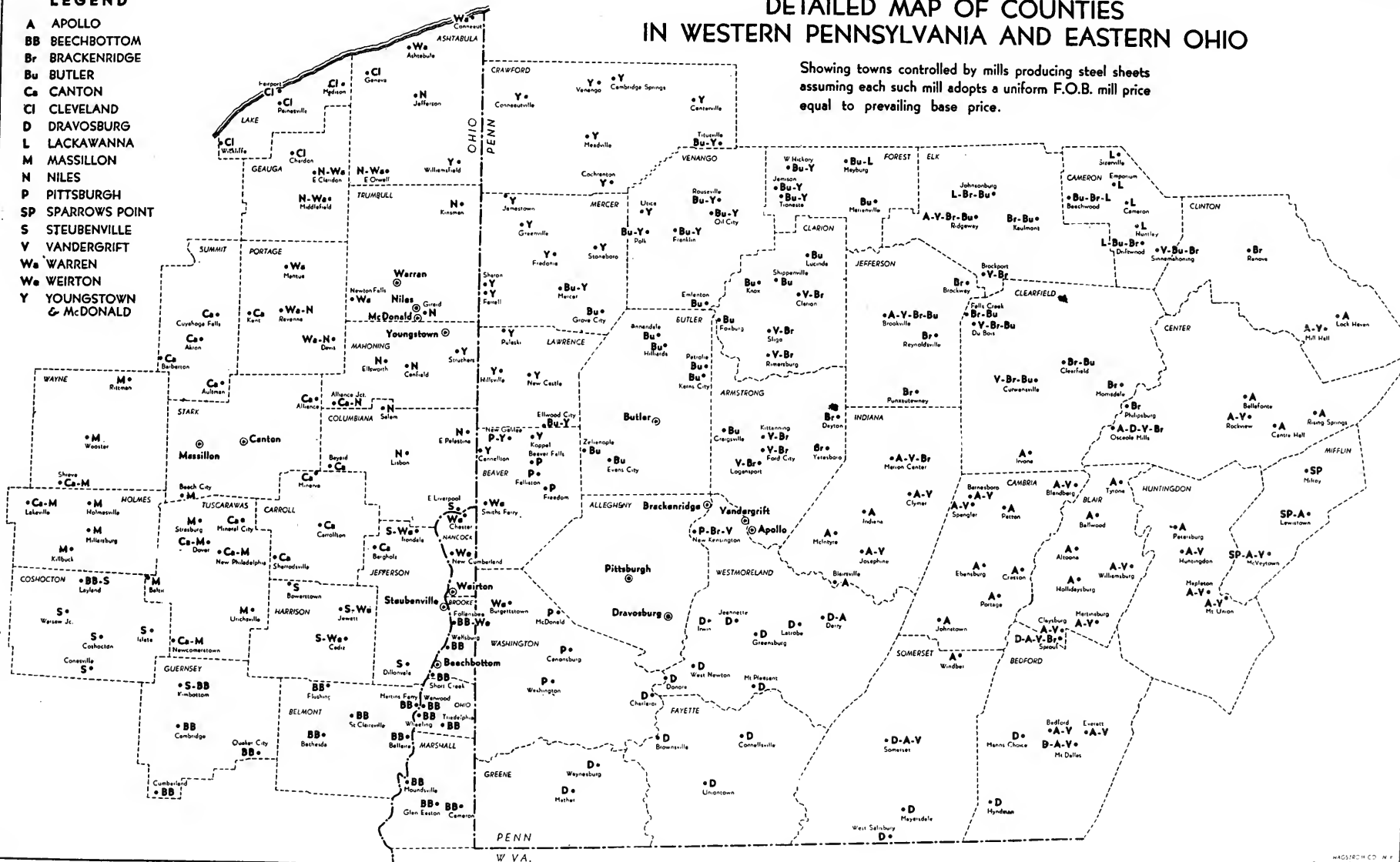
This detailed map emphasizes both the local monopolies and the arbitrary nature of the allocation of the territory for the sale of sheets which would result from a uniform f. o. b. mill price system.

Referring again to the first map, some consideration should be given to the comparative capacities of mills and the sheet consumption in the areas served by such mills.⁷⁴ With the exception of Detroit, where consumption is in excess of capacity, every producing point has capacity in excess of the estimated 1938 sheet consumption figures. In most cases, such excess of sheet capacity over consumption is large. For example, the capacity of the Pittsburgh mills is more than 1,500,000 tons, while the sheet consumption in areas which under the proposed pricing system would not be shared with mills in other districts is estimated at less than 78,000 tons, and the sheet consumption in the total territory which would be reached by the Pittsburgh mills is approximately 110,000 tons. The

⁷⁴ Capacity figures were obtained from the 1938 directory of iron and steel mills, published by the American Iron and Steel Institute. Taken into consideration were capacities of the modern continuous mills and the modernized old type mills, the capacities of the old hand mills being disregarded. Consumption figures are the estimated consumption in 1938, on the basis of mills operating at approximately 43% of the rated capacity, and were compiled by the sales department of a subsidiary of the United States Steel Corporation. These figures, while believed to be reasonably accurate, are subject to some margin of error.

DETAILED MAP OF COUNTIES ERN PENNSYLVANIA AND EASTERN OHIO

A APOLLO
Bb BEECHBOTTOM
BB BRACKENRIDGE
Bu BUTLER
Ca CANTON
CI CLEVELAND
D DRAVOSBURG
L LACKAWANNA
M MASSILLON
N NILES
P PITTSBURGH
SP SPARROWS POINT
S STEUBENVILLE
V VANDERGRIFT
W WARREN
Wb WEIRTON
Y YOUNGSTOWN
 & McDONALD



discrepancy is even more striking in the case of the Butler-Vandergrift-Apollo sheet mills, where the capacity is over 730,000 tons, and the consumption would be less than 5,000 tons in the exclusive territory under the proposed system, and less than 41,000 tons in the total territory to be reached by these mills under that system. The Weirton-Beechbottom-Steubenville mills have a rated capacity of over 1,160,000 tons of sheets, which may be contrasted with an estimated consumption of less than 7,000 tons in the territory which they would not share with other mills, and less than 55,000 tons in the whole territory to be reached by such mills under the proposed system.

While outlying sheet mills at Chicago-Gary, Granite City, and Sparrows Point, which serve nearby large consuming centers, have capacity greatly in excess of the total estimated consumption in 1938, it should be borne in mind that such mills would serve territory outside the confines of this map. In the exceptional case of Detroit, sheet capacity is rated as over 1,400,000 tons, with consumption estimated for 1938 at slightly more than 1,650,000 tons.

If 1939 consumption of sheets is estimated at twice the 1938 consumption, sheet capacity at all producing points is still in excess of consumption in the areas served by the mills at such points (which is natural since the mills were designed to supply the demand in many areas outside the confines of this map), with the exception of Detroit and Sparrows Point. The excess of consumption in Detroit is, of course, enormously increased.

The preceding discussion has been based upon the assumption of mill prices equal to prevailing base prices for sheets at the several basing points. Of course, this price structure could not endure, as the sheet mills would necessarily seek larger markets for their product. It should be emphasized, however, that the local monopolies and the arbitrary and rigid limitation of territories would prevail under any given relative level of prices. It is assumed by the proponents of the uniform f. o. b. mill price system that competition would occur over large areas as the mills sought markets. In practice, however, there are important limitations upon the possibility of this occurring. It appears certain that mills located close together would necessarily have practically identical mill prices since the difference in freight rates from such mills to consuming points is so small that a slight reduction in price by one mill would exclude mills close to it from all marketing areas, if such mills did not follow the price reduction. Thus the pattern of local monopolies shown on the detailed map would be unlikely to change to any great extent, even if the present price structure should be so altered.

There would undoubtedly be changes in the relative levels of prices for sheets at producing point groups, and prices at producing points surrounded by other producing points would naturally be lower than at the surrounding points. A small reduction in price would result in increasing a mill's territory for the sale of sheets, but in many cases the added territory would not increase the market proportionately. In order to sell sheets in any important market a mill would have to reduce its price by the amount of the freight to such market. In many cases this would arbitrarily result in wiping out or greatly reducing the selling area of other mills, compelling retaliation by them, which in turn would deprive the first mill of access to the market sought by such mill in making the price reduction. The price would be lower, with little or no real gain in marketing area.

Furthermore, mills at two or more producing points could compete, generally, at only one important consuming point at the same time. If the Pittsburgh and Youngstown mills, for example, were to quote mill prices for sheets which would enable them to compete in Cleveland, the Youngstown mills would automatically be excluded from the Detroit market, as the Pittsburgh mill price would result in a lower price in Detroit. Likewise, if prices at Pittsburgh and Youngstown mills were such as to result in equal competitive prices in Detroit, the Pittsburgh mills would be excluded from the Cleveland market. It is impossible to foresee what steps the mills would be forced to take to escape the procrustean rigidity of this system. The Federal Trade Commission contends that the result would be a scattering of steel producers to areas of large consumption. The catastrophic effects of such a dislocation upon producer and consumer alike have been considered at length herein. Possibly the result would be merely the installation of final finishing mills at important markets. Such a change would result in no saving in transportation costs, and ultimately could only result in higher steel prices, since costs would be enormously increased.

It should be emphasized that these maps deal with only one product—sheets. On every other product, maps prepared on the same assumptions would show similar arbitrary territorial limitations, but on each product the territories would be different, since the allocation would depend upon the location of competing

mills producing the same product. Thus, a consumer wishing to purchase two kinds of products to be used together, such as structural shapes and plates, would often be forced to purchase each product from a different mill.

These maps do not attempt to picture all of the effects of a uniform f. o. b. mill price system, even with respect to sheets, but they show definitely the delicate nature of the price structure which would be imposed thereby, and the vast complexities which are involved in any attempt to impose an arbitrary pricing system. It is believed that the maps and the foregoing analysis of them establishes that competition under such a system would not be more in the public interest than it is under the basing point practice, and would necessarily result in local monopolies, in widespread dislocation of the steel industry and of industries dependent upon it, and inevitably in higher prices for steel.

2. *Price Leadership.*—Price leadership of the kind which naturally occurs in an industry with large units and substantial inescapable costs would not be eliminated by a uniform f. o. b. mill price system. Assuming that some mills in each of the present large production districts would survive the introduction of such a system, after some period of time a sort of equilibrium would probably develop. The surviving mills would become accustomed to the normal territories which would result to them. Since the prohibition of freight absorption would prevent sales outside of these territories, the mills would gradually lose their contacts with distant customers, and would cease their efforts to sell to them. Once this condition was established an equal rise in the price at every mill would leave the selling territories unchanged and would enhance mill net returns of all the mills by the amount of the advance. The temptation to follow price increases is obvious. The mills would be more apt to follow a rise in the price at one mill, than to try to initiate sales efforts in the new areas in which their old prices were the lowest, because the mill which had raised its price would almost certainly be obliged to reduce it if the others did not follow.

For these reasons, there is no reason to suppose that a uniform f. o. b. mill price system would do away with any price leadership which may exist today. On the contrary, it seems that by reducing the number of producers and by keeping the mills out of contact with each others' customers, such a price system would increase the tendency to follow price raises by other mills.

(3) *Concentration of Production Facilities.*—One contention of the Federal Trade Commission is that uniform f. o. b. mill prices would produce more economic locations of steel mills. By "more economic" locations the Commission seems to mean that instead of the present concentrations at various points in the northeast, mills would be scattered all over the country near the various consuming territories. As a corollary, it is probably thought that supposed "uneconomic" producers at present basing points would be eliminated.

This reasoning ignores the fact that more than 4 tons of raw materials would have to be hauled to these scattered mills for every ton of steel produced. If they were located outside the northeastern United States they would be farther from raw materials than the corresponding capacity is today, and their assembly costs would be higher.⁷⁵ If mills were built to supply small local markets, their scale of operations would be smaller. This, too, would raise costs. Considering the low level of profits in the steel industry during the past decade, it seems clear that higher prices would be necessary to cover these higher costs. Even if the recommended uniform f. o. b. mill price system would conform to the assumptions of "perfect competition" (although it seems clear that it would not), higher prices for steel would be too much to pay for such conformity.

The same factors which prove the undesirability of scattered small mills would militate against the occurrence of any change. The capital investment per ton of steel is high, and the annual turnover is relatively low compared with many other industries. Scattered mills mean a much higher per ton investment cost than under existing conditions, and would present a serious economic danger to the industry in periods of low demand. This result is obvious from the fact that a compact, well-balanced centralized producing unit lends itself to greater flexibility as an economic operating unit than would a number of separately located mills, each of which would require the same production facilities and complement of auxiliaries, as does the one compact centralized mill.

A centralized mill, because of its greater flexibility in adjusting readily to a diversity of products, assures lowest operating costs under all conditions, tends to restrict the amount of unused capacity, and secures to employees the maximum amount of employment possible when the industrial cycle swings downward.

⁷⁵ It is obvious that it is cheaper to haul one ton of finished steel a long distance to consumer, than to haul more than 4 tons of raw material a shorter distance to a steel mill, although freight rates on raw materials are somewhat lower than on finished steel products.

In the last analysis, the question of scattered mills rests on a determination of how and where the product can be made at the lowest cost—not only lowest production cost at the mill, but lowest cost of the steel delivered to the user of steel, wherever located. And in that determination, consideration must be given to (1) the cost of assembling suitable raw materials, (2) the capital investment required per ton of steel, (3) the kinds of steel products for which a market exists in the given area, (4) the probable consumer demand for such products in the particular area and the stability of that demand, (5) the freight charges involved in delivering the production to the buyer of the steel, and (6) an adequate labor supply, taking into account housing facilities and living conditions generally.

The weight to be given to each of these considerations will differ according to the kind of product that is made, and no single rule will apply to every condition. Item (1) in most cases would probably carry the greatest weight, with item (2) next in importance. The most important of the considerations have been taken into account in present locations. It is doubtful whether the other considerations would outweigh them under any system.

(4) *Excess Capacity.*—The steel industry had for some time past, until very recently, a considerable amount of idle capacity, but not necessarily excess capacity. With the sudden increase in the demand for steel products, which has coincided with the outbreak of the European war, a large part of this idle capacity has already disappeared, and the balance of idle mills are being brought into operation as rapidly as possible to meet the existing demand. When idle capacity exists, however, there is no way of telling how much, if any, thereof constitutes "excess capacity". There are many reasons for what, at times, may appear to be excess capacity, including one predominant one—the business cycle. The steel industry has capacity to supply peak or near-peak demand at the height of the cycle, as in the years 1929, 1937, and at the present time, and consequently some of its capacity stands idle during the lower phases of the cycle. The alternative is to have less capacity than the peak demand requires, thus producing a scarcity and a tremendous rise in prices during the expanding phase of the cycle. Neither condition is satisfactory. The business cycle and the other causes of idle capacity would operate even if a uniform f. o. b. mill price system were adopted.

A uniform f. o. b. mill price system probably would eliminate some producers, thus reducing to some extent the possibility of idle capacity. But no accurate estimate can be made of how much of such capacity is necessary to supply the peak demand, or whether the proposed system would eliminate just the right amount, or at the right place. Any substantial reduction in capacity would probably leave less than is required for peak demand, and the equally undesirable alternative of rapidly rising prices would then occur as demand increased in the upward course of the cycle.

Thus, a uniform f. o. b. mill price system, if it had any effect at all on the amount of steel capacity in the country, would probably cause extremely large fluctuations in prices, which are as undesirable as idle capacity. There is no reason to suppose that it would produce any better working results than the basing point method.

(5) *Price Discrimination.*—The suggested uniform f. o. b. mill price system, by definition, would do away with variable mill net returns. It would accomplish this, not by removing the causes of the present variation in such returns—the location and geographical separation of producers, the wide distribution of consumers, the large size of economical and efficient steel mills—but by an arbitrary prohibition. The artificiality and rigidity of the situation which would result have already been discussed.

(6) *The Cost of the System.*—In considering any alternative to the basing point practice, one vital question is how much the alternative will cost economically. Even could it be shown to be better in some ways than the present method, if it would cost the public more than the benefits resulting from it are worth, it would not be wise to adopt it. The above criticisms of the uniform f. o. b. mill price system have shown that it involves definite economic costs. It would destroy the investment in many plants. It would also act injuriously on many local communities whose welfare is dependent upon the steel mills at that point. It would not eliminate shipments from other than the nearest mills. It would probably result also in widespread dislocation of consumers who have located their manufacturing establishments in reliance upon existing steel mills. It might eliminate some idle capacity, but it would not necessarily be high-cost capacity, and this change would probably produce, in the course of the business cycle, another phenomenon as expensive and as undesirable as idle capacity. All these are economic costs which it appears would follow from a uniform f. o. b. mill price system.

The only corresponding saving which would result from a uniform f. o. b. mill price system would be in its elimination of a certain amount of transportation costs. As has been pointed out, it is impossible to estimate the amount which could be saved, but in any case such amount is not the whole amount of freight absorption under the present pricing method.

E. SUMMARY

The basing point practice in the steel industry is a simple method of quoting delivered prices, which results in the competition of many geographically separated steel producers at the markets for each of the diversified products of modern steel mills. It is not a price-fixing medium nor does it result in high prices. It does not stifle price competition but rather extends the benefits of such competition to all consumers.

This basing point practice has evolved over a period of more than half a century to meet fundamental economic conditions in the steel industry. Delivered prices result from the buyer's need to know the cost to him of steel delivered at his plant, since transportation charges from mill to consumer are often a substantial part of the value at the place of consumption.

The producer of steel must take into consideration all of the elements of cost involved, from the transportation of raw materials, through the processes of converting such raw materials into steel products, to the final delivery of such products to the consumer. It requires more than four tons of raw materials to produce one ton of finished steel. The location of facilities for producing pig iron and steel ingots must be determined largely by the factor of raw material assembly cost. This limits the location of blast furnaces and open hearth furnaces to a few areas where the raw materials are readily available. In turn, the economies of integration cause the location of rolling mills near the steel producing units. Large well-integrated mills, designed to supply the scattered markets of the entire country, have been constructed in such areas. These mills produce many diversified products in order to utilize ingot capacity to the fullest extent and achieve low production cost per unit. A modern integrated mill must serve more than its immediate area; it must reach many of the important markets for its diversified products in order to obtain an even flow of orders. Thus, concentration of production facilities in a few areas and wide distribution of products is a rule in the steel industry enforced by economic considerations. The result is competition at all consuming points between several geographically separated producers.

The demand for steel is subject to enormous fluctuations in the business cycle. The capacity of the industry, including reserve capacity, is not more than sufficient to supply the needs of the country during periods of high demand, such as 1929, 1937 and the present time. Less capacity would result in scarcity and high prices during such periods. The problem of adjustment to the fluctuations of the business cycle is solved in the most economical way. While the industry is constantly constructing new facilities to incorporate technological advances, the older mills which, although outmoded, have not served their full useful life, are retained in reserve to meet the demand at high levels of consumption.

Most criticisms of the basing point method disregard entirely these fundamental economic facts. The steel industry is often judged by criteria derived from abstract theory, based upon imaginary conditions which cannot exist. Natural deviations from these criteria are arbitrarily assumed to be evils and are, without demonstration, ascribed to the basing point method. Critics sometimes rest their case solely upon bland assertions and rhetorical exaggeration. In many instances, mere name-calling is resorted to. Thus, in the language of some critics, the practice of meeting competitive prices at a distance becomes "freight absorption"; the resulting difference in mill net returns becomes "price discrimination"; the resulting shipments from other than the mill nearest the destination becomes "cross-hauling"; and the realization of a competitive advantage due to superior geographical location becomes "phantom freight."

Competitive forces determine the prices quoted at all destinations. To obtain business in a market at a distance from his mill, a producer must meet competitive prices quoted by other producers nearer to such markets; he must pay the freight necessary to transport the steel product to the consumer; and he will therefore realize a lower mill net return than on sales to consumers nearer his

mill. This enables him to operate his mill at a lower unit cost and thus to sell to the nearby consumer for less than he otherwise could.

There will always be some shipments of similar products past each other in opposite directions unless competition between geographically separated producers is arbitrarily limited to the marginal territory between their mills. Even under the uniform f. o. b. mill price system proposed by the Federal Trade Commission, shipments would not always be made from the nearest mill. The alleged economic waste resulting from cross-shipments must be balanced against the countervailing advantages to the public of a competitive system, and also against the economic losses which would follow from artificial limitation of marketing territories.

If an isolated producer is located nearer than other producers to an important market, he will be able to realize a higher mill net return. In so doing, he may be merely taking proper advantage of his superior geographical location, or he may need such higher return to compensate for his additional costs in assembling and processing raw materials. He can obtain higher mill net returns than some of his competitors either by announcing a higher price at his mill, or by merely meeting the competitive delivered prices of other producers. Characterizing the latter practice as the collection of freight charges which are not paid is a distortion of the facts.

Transportation of steel products by water vehicles and trucks has received attention unwarranted by its true importance, and significant factors in the situation have been overlooked. The practical availability of each of these mediums of transportation is circumscribed by many inherent limitations. The producer located so as to be able to transport some products by water has an advantage over other producers not so located, which he is properly entitled to realize by a higher mill net return. His advantage often lies merely in the ability to reach markets from which rail freight rates would bar him. Where all the circumstances warrant it, the advantage is passed on to consumers by lower delivered prices. The producer's advantage, however, is one which may easily turn into a disadvantage. If he gives one consumer the benefit of the saving resulting from water transportation, he may soon have to make the same price to all consumers in the area and ship by rail, with freight disadvantages which will lower his mill net returns. Shipment by truck seldom involves an appreciable freight saving, and often involves additional freight cost. The added expense and inconvenience to the producer in truck shipments justify any additional charges made.

The proposed alternative to the basing point method is a uniform f. o. b. mill price system. The effects of this system would be extremely complex, and are therefore largely unforeseeable. Its exponents propose it in the name of abstract theory, and have outlined its characteristics and effects only with respect to the elimination of supposed evils of the basing point method. They have never described the operation of the system nor analyzed its effects in relation to the economic facts of the steel industry.

The uniform f. o. b. mill price system is expected by its exponents to eliminate high cost, inefficient and supposedly uneconomically located mills and to break up concentration of production facilities, by forcing the erection of small mills in all parts of the country. Such results, even if they would be accomplished by the system, would conflict with basic economic factors, and necessarily increase present production and transportation costs.

The system is also expected to produce theoretical "perfect competition", or at least to increase competition. This is to be accomplished by the extraordinary means of arbitrarily limiting the competition between mills not adjacent to each other to marginal territory. Each mill, or group of mills, would be restricted in distribution to a circumscribed area subject to only slight possible variations in size. Each customer would be confined to a single or a very few sources of supply. The capacities of mills would be limited to the consumption in the prescribed territories, and any existing additional capacity would have to be scrapped. Serious dislocations in the steel industry and in industries dependent upon it would be inevitable.

Under a uniform f. o. b. mill price system, local monopolies and high assembly and production costs would displace the present wide-spread competition and low costs.

The following documents are included at this point in connection with testimony supra.

UNITED STATES STEEL CORPORATION,
71 Broadway, New York, February 2, 1940.

WALTER B. WOODEN, Esq.,
Assistant Counsel, Federal Trade Commission, Washington, D. C.

DEAR MR. WOODEN: Enclosed is a photostatic copy of a price announcement on concrete bars issued by Carnegie-Illinois Steel Corporation under date of June 4, 1936, which, I believe, is the announcement requested by you at the hearing before the Temporary National Economic Committee on Monday, January 29, 1940. I have been unable to send this announcement earlier, as no copy thereof was available in New York, and it was necessary to obtain one from Pittsburgh.

I am informed that the provision contained in this announcement regarding the place of delivery, which reads as follows: "Place of delivery is recognized to be the railroad freight station nearest the place where the material is to be used or stored for resale, except in the case of products sold for fabrication for an identified structure when the place of delivery is the railroad freight station nearest to the place at which such structure is to be assembled or erected.", is one of the standard terms and conditions of sale, still printed on the reverse side of price announcements for all products, and that such a provision does not mean that structural material will only be sold by Carnegie-Illinois Steel Corporation delivered at the place of erection and will not be sold by it delivered at the shop of the fabricator, as was provided in the following provision of Section 4 of Schedule E of the Code of Fair Competition for the Iron and Steel Industry, as approved on August 19, 1933: "and (b) in the case of plates, shapes, or bars intended for fabrication for an identified structure, for the purpose of establishing the delivered price thereof, the place of delivery shall be deemed to be the freight station at or nearest to the place at which such structure is to be erected, and not the shop of the fabricator;".

According to the testimony of Mr. Fairless on Saturday, January 27, 1940, the above quoted provision of the Code "was never effective, even during the Code" (T. N. E. C. Verbatim Record, Vol. XI, No. 10, page 351). According to the testimony of Mr. Adams on Monday, January 29, 1940, "The practice today is to quote on the basis of the price at point of fabrication" (T. N. E. C. Verbatim Record, Vol. XI, No. 11, page 373).

I am informed that, after the invalidation of the Code, while Carnegie-Illinois Steel Corporation continued to quote prices on structural material intended to be used for an identified structure delivered at the place of erection of such structure, many sales were made at a price delivered at the fabricator's shop, and that at the present time, although the general practice of Carnegie-Illinois Steel Corporation is to sell structural material delivered at the fabricator's shop, sales are still made from time to time at a price delivered at the point of erection. I am also informed that, in view of the above, it is impossible to name any date as the time of a definite change by Carnegie-Illinois Steel Corporation from one method to the other, but that the present general practice became more prevalent during 1938.

May I ask that this letter be made a part of the record of the Temporary National Economic Committee?

Very truly yours,

IRVING S. OLDS.
Irving S. Olds.

ISO:MRW
Enclosure

CARNEGIE-ILLINOIS STEEL CORPORATION
UNITED STATES STEEL CORPORATION SUBSIDIARY
General Offices; Carnegie Building

PITTSBURGH, PA., June 4, 1936.

PRICE ANNOUNCEMENT TO CONTRACTORS AND OWNERS OF CONSTRUCTION
PROJECTS ON CONCRETE BARS

NEW ENGLAND

Effective this date, and until further announcement, the following prices will apply on sales of concrete reinforcing bars for delivery and consumption in the United States:

Delivery Point	Price F. O. B. cars delivery point car-load lots			
	Concrete Bars		Spirals	
	New Billet	Rail	¼"	Larger than ¼"
Portland, Me.	\$2.49	\$2.34	\$4.14	\$3.64
Montpelier, Vt.	2.45	2.30	4.10	3.60
Concord, N. H.	2.46	2.31	4.11	3.61
Boston, Mass.	2.46	2.31	4.11	3.61
Springfield, Mass.	2.43	2.28	4.08	3.58
Worcester, Mass.	2.45	2.30	4.10	3.60
Providence, R. I.	2.47	2.32	4.12	3.62
Hartford, Conn.	2.44	2.29	4.09	3.59

All sales will be made subject to the Extras and to the Standard Terms and Conditions of Sale as covered in Pages 2, 3, and 4 of this Price Announcement.

Prices and delivery at other points in the United States, and to Denver Reclamation Bureau, T. V. A., U. S. Army, U. S. Navy and Panama Canal, will be quoted upon request.

CARNEGIE-ILLINOIS STEEL CORPORATION,
C. V. MCKAIG,
Vice President & General Manager of Sales.

JUNE 4, 1936.

CARNEGIE-ILLINOIS STEEL CORPORATION—EXTRAS, STANDARD TERMS AND
CONDITIONS OF SALE CONCRETE BARS TO CONTRACTORS OR OWNERS OF CON-
STRUCTION PROJECTS

All orders and contracts will be subject to approval at seller's General Offices, Pittsburgh, Pa., or Chicago, Ill.

TERMS OF PAYMENT

The terms of payment, unless otherwise hereinafter specified, are net cash within thirty (30) days, or a discount of one-half (½) of one (1) per cent on the net value after deducting transportation charges for payment within ten (10) days, both from date of invoice. The discount which will be indicated on the invoice may be allowed on the basis of settlements twice a month as follows:

(a) On all invoices for these products dated from the 1st to the 15th inclusive of any month, such discount may be allowed on payment of such invoices on or before the 25th of such month,

(b) On all invoices for these products dated from the 16th to the end of any month, such discount may be allowed on payment of such invoices on or before the 10th of the next following month.

On shipments made by ocean or rail and ocean to the States of California, Oregon, and Washington, terms of payment are net cash within sixty (60) days, or a discount of one-half (½) of one (1) per cent, for payment within forty (40) days, both from date of invoice.

On sales of these products to the United States Government, the above terms of net cash within thirty (30) days, or a discount of one-half ($\frac{1}{2}$) of one (1) per cent for payment in cash within ten (10) days, shall apply from date of receipt of material at destination rather than the date of invoice.

Shipments and deliveries shall at all times be subject to the approval of Seller's Credit Department, and Seller may at any time decline to make any shipment or delivery except upon receipt of payment or upon terms and conditions or security satisfactory to such Department.

PLACE OF DELIVERY

Place of delivery is recognized to be the railroad freight station nearest the place where the material is to be used or stored for resale, except in the case of products sold for fabrication for an identified structure when the place of delivery is the railroad freight station nearest to the place at which such structure is to be assembled or erected.

TRANSPORTATION BY TRUCK

When transportation is effected by truck provided directly or indirectly by the buyer, an allowance will be made from the delivered price equal to 65% of the carload all rail published tariff freight rate including surcharge if any from shipping point to destination.

DELIVERIES TO RAILROADS

Prices which will be applicable on sales made to Railroads, Trustees or Agents thereof, will be quoted upon application. In sales of this character, however, the freight allowance shall not exceed the sum of the foreign line portion (if any) of the through published tariff freight rate and five (5) mills per ton per mile for the on-line movement from shipping point to destination.

LAND GRANT FREIGHT RATES

In the case of sales made to the United States Government, or any department or division thereof, where shipment moves via all-rail transportation on Government bills of lading, at land grant rates, title will be passed at the point of shipment, and the lowest all-rail published freight rate to destination will be allowed, plus an additional amount, if necessary, to equalize any greater benefits from land grant rates which would accrue to the Government from shipping point of any other bidder.

EXTRAS

To the foregoing base prices are to be added the following extras:

Size $\frac{5}{8}$ "	-----	\$0.10 per 100 lbs.
$\frac{1}{2}$ "	-----	0.20 " " "
$\frac{3}{8}$ "	-----	0.40 " " "
$\frac{1}{4}$ "	-----	1.00 " " "
Spiral extras for cold drawn wire add	-----	\$0.50 per 100 lbs.
For spirals without spacers deduct	-----	0.25 " " "

QUANTITY EXTRAS

Less than 15 tons but not less than 5 tons	-----	\$0.15 per 100 lbs.
Less than 5 " " " " " 1 ton	-----	0.25 " " "
Less than 1 ton	-----	0.50 " " "

BENDING EXTRAS

Heavy Bending	-----	\$0.30 per 100 lbs.
Light Bending	-----	0.80 " " "

WEIGHT SPECIFICATIONS

For weight tolerance more restrictive than the A. S. T. M. Tolerance, \$0.10 per 100 lbs.

TRUCKING

In Metropolitan New York, Philadelphia and Eastern Pennsylvania, \$0.10 per 100 lbs.

All other points, \$0.05 per 100 lbs.

NOTE.—Above cartage is in all cases in addition to published freight rate of switching charges.

ENGINEERING

Designing (Preparing designs and placing plans), \$0.25 per 100 lbs.

Design only (Preparing design without placing plans, \$0.10 per 100 lbs.

Detailing and placing plans (from designs made by others):

Quantity	Per 100 lbs.	Max. Chge.
Less than 100 Tons.....	\$0. 15	\$250. 00
100 tons to 199.99 tons.....	0. 12½	400. 00
200 tons to 499.99 tons.....	0. 10	750. 00
500 tons to 999.99 tons.....	0. 07½	1000. 00
Over 1000 tons.....	0. 05	-----

GENERAL

If any changes are made in prices and conditions as stated in this list, a supplement will be issued immediately setting forth such changes.

FEDERAL TRADE COMMISSION,
Washington, D. C., February 5, 1940.

Mr. IRVING S. OLDS,
Director, United States Steel Corporation,
71 Broadway, New York, New York.

DEAR MR. OLDS: Your letter of February 2nd and enclosure were received today, and I thank you for the information given.

As a matter of further clarification, however, will you kindly state in what classes of products and cases the Carnegie-Illinois Steel Corporation quotes on structural material (including concrete bars) for use in identified structures f. o. b. place of erection, and in what classes of products and cases it quotes f. o. b. place of fabrication.

Please state whether there was any formal action by the Code Authority which had the effect of revoking Section 4 of Schedule E of the Code relative to quotations on material intended for fabrication for an identified structure.

I shall be glad to ask that your letter and the reply to this one become a part of the record of the Temporary National Economic Committee, as it is important that the record be corrected and clarified in accordance with your supplementary statements.

Yours very truly,

W. B. WOODEN,
Assistant Chief Counsel.

WBW:MJM

UNITED STATES STEEL CORPORATION,
71 Broadway, New York, February 8, 1940.

WALTER B. WOODEN, ESQ.,
Assistant Chief Counsel, Federal Trade Commission,
Washington, D. C.

DEAR MR. WOODEN: Your letter of February 5, 1940, was received on Tuesday. In answer to the request contained in the second paragraph thereof, I am informed that the present sales practices of Carnegie-Illinois Steel Corporation are as follows:

(a) Plates, Shapes and Bars for use as structural material are generally sold delivered at the point of fabrication.

(b) Concrete reinforcing bars (which were sold delivered at the point of fabrication during the N. R. A. Code period and were not covered by the provisions of Section 4 of Schedule E of the Code, approved on August 19, 1933, which provided

that sales should be made delivered at the point of erection rather than at the point of fabrication) are largely handled through jobbers and are usually sold delivered at the place of the jobber's warehouse. This product, however, when the purchaser so requests, is very often sold delivered at the point of erection of the identified structure.

In answer to the request contained in the third paragraph of your letter, I am informed that there was no formal action by the Code Authority, which had the effect of revoking such Section 4 of Schedule E of the Code.

In this connection I would like to correct an apparent misapprehension of the meaning of my letter of December 18, 1939, addressed to Mr. James R. Brackett, Executive Secretary, Temporary National Economic Committee, in which I stated, following the language of Mr. Brackett's question: "I am informed that the officials of United States Steel Corporation know of no amendments or modifications since June, 1935, of Commercial Resolutions and Regulations adopted during the N. R. A. Code period, or similar statements or announcements of commercial practice made since June, 1935." You have apparently interpreted this to mean that these Commercial Resolutions and Regulations continued in effect after June, 1935. These Commercial Resolutions and Regulations were, of course, invalidated along with the Code itself by the decision of the United States Supreme Court in the Schechter case in May, 1935, and I am informed that thereafter no authority existed in any body to adopt, amend, modify or revoke any such resolutions or regulations or any similar statements or announcements of commercial practice.

I am informed that on June 3, 1935, the Board of Directors of the American Iron and Steel Institute adopted the following resolution, which was referred to in the hearings last month, and also by Mr. Burr at the hearing on March 6, 1939:

"WHEREAS the Chairman of the National Industrial Recovery Board has issued a statement with regard to the decision of the United States Supreme Court in the Schechter Poultry Corporation case in which he expressed the hope 'that all employers heretofore operating under approved codes and all their employes will cooperate in maintaining those standards of fair competition in commercial and labor relations which have been written into the codes with practically universal sanction, and which represent a united effort to eliminate dishonest, fraudulent trade practices and unfair competition in overworking and underpaying labor.';

"Resolved, That it is hereby declared to be the sentiment of the Board of Directors of the American Iron and Steel Institute that the individual members of the Iron and Steel Industry, acting voluntarily, during the present uncertainty, maintain the present rates of pay and maximum hours of labor and the standards of fair competition which are set forth in the Steel Code, and that the members of the Industry continue to protect the employes' rights of collective bargaining; and

"Resolved, That the Executive Secretary of the Institute be, and he hereby is, authorized and directed to send a copy of these resolutions to each member of the Industry."

I am informed that, as stated in the language above quoted, this resolution was adopted as an expression of sentiment by the Board of Directors of the American Iron and Steel Institute in order to comply with the publicly expressed wishes of the Chairman of the National Industrial Recovery Board. I am further informed that the United States Steel Corporation and its subsidiaries never at any time considered that such resolution, or the ratifying resolution adopted by various members of the iron and steel industry on June 6, 1935, covered or called for any continuation of the above mentioned Commercial Resolutions and Regulations adopted during the N. R. A. Code period.

As Mr. Burr, in his testimony before the Temporary National Economic Committee on March 6, 1939 (page 316 of Verbatim Record), referred to such ratifying resolution adopted by various members of the iron and steel industry on June 6, 1935, I should like to call to your attention the full text of such resolution as then sent to members of the steel industry by the American Iron and Steel Institute. The full resolution reads:

"Resolved, That the members of the Iron and Steel Industry in General Meeting assembled this sixth day of June, 1935, hereby unanimously ratify the resolution of the Board of Directors of American Iron and Steel Institute, adopted June 3, 1935, and each of us hereby declares that the Company which he represents is in favor of supporting the position taken by such resolution and that it is the intention of such Company, acting individually and voluntarily, in so far as it may do so, during the present uncertainty to maintain the present rates of pay and maximum hours of labor and the standards of fair competition which are described in the Steel Code, and that such Company will continue to protect the employees' rights of collective bargaining."

Referring to willingness on your part stated in the last paragraph of your letter of February 5th, I shall appreciate your asking that this letter and my earlier letter of February 2, 1940 to you be made a part of the record of the Temporary National Economic Committee.

Very truly yours,

IRVING S. OLDS.

ISO:MRW

CARNEGIE-ILLINOIS STEEL CORPORATION
UNITED STATES STEEL CORPORATION SUBSIDIARY

General Offices, Carnegie Building
PITTSBURGH, PA.

CLEMENT V. MCKAIG

Vice President and General Manager of Sales

J. HALSEY MCKOWN

Assistant Vice President and Assistant General Manager of Sales

MAY 26, 1936.

To all managers of sales:

Subject: Third quarter prices 1936

Supplementing our letter of May 23rd, we are sending you, in today's mail, a supply of two new Price Announcement forms—(1) Hot Rolled Carbon Steel—(2) Hot Rolled Alloy Steel—both of which have been designed to simplify the work of the District Office.

We have arranged, and are enclosing for your convenience, a chart showing prices announced to date on various commodities. This will be supplemented from time to time as additional details are ascertained.

The Price Announcement on Hot Rolled Alloy Steel Bars only covers such products as are specifically mentioned in our Standard Classification of Extras. In this respect, we ask that you confer regarding prices for Hot Rolled Alloy Small Shapes, Plates, and Structural Shapes.

We also call your attention to the following changes in our Standard Classification of Extras for the Third Quarter, these in addition to the recently announced change in Size Extras on Hot Rolled Carbon Steel Blooms, Billets and Slabs, Forging Quality—these changes will be incorporated in the next revisions of the several extra cards involved:

1. Hot Rolled Carbon Steel Bars—Automobile Bumper Steel Bars (Page 5).

REVISION

Front or Impact Bars—Special Sections. Extras for Section and Quality, in addition to regular extras for chemical specifications:

Sections .156" thick and heavier-----	.15¢ per lb.
Sections under .156" to .125", inc-----	.25¢ per lb.
Sections under .125"-----	.35¢ per lb.

Other Bumper Bars are subject to Automobile Spring Steel extras plus extras for chemical specifications.

2. Hot Rolled Strip Steel, Cutting Extras (Page 6).

REVISION

Specified Lengths—42" or over.
Over 24" to 42", exclusive.
Over 12" to 24", inclusive.

Not Rolled Strip Steel, Quality and Workmanship Extras (Page 7).

REVISION

Tack Plate Quality----- .30¢ per lb.

3. Hot Rolled Sheets and Hot Rolled Annealed Sheets, Processing Extras (Page 6).

REVISION

Tack Plate Quality (In addition to size extras)----- .30¢ per lb.

If any details given you thus far are not entirely clear, please do not hesitate to call upon us for further information.

Very truly yours,

J. H. McKOWN,
*Assistant Vice President and Assistant General Manager
of Sales.*

Delivery Point Prices

[All prices are base per 100#]

Delivery Points	Struct. & C. B. Sects.	Plates	Floor Plates	Sheets		Strip	Bars & Small Shapes	Concrete Bars (Contractors)	Skelp	Filing	Axles
				Heavy Hot Rolled #10 Base (Inc. #7 to #16)	Hot Rolled Annealed #24 Base (Under #16 to #18, Inc.)						
Pittsburgh, Pa.	\$1.925	\$1.925	\$3.475	\$1.975	\$2.525	\$1.975	\$1.975	Confer.	\$1.825	Confer.	Confer.
Birmingham, Ala.	2.075	2.075	-----	2.125	2.675	2.125	2.125	Confer.	-----	Confer.	Confer.
Bethlehem, Pa.	2.025	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Buffalo, N. Y.	2.025	-----	-----	-----	-----	-----	2.075	Confer.	1.825	Confer.	-----
Chicago, Ill.	1.98	1.98	3.53	-----	-----	2.08	2.03	Confer.	1.83	Confer.	Confer.
Cleveland, Ohio	-----	-----	-----	-----	-----	-----	2.025	Confer.	-----	-----	-----
Coatesville, Pa.	-----	2.025	3.575	-----	-----	-----	-----	-----	1.825	-----	-----
Duluth, Minn.	-----	-----	-----	-----	-----	-----	2.125	-----	-----	-----	-----
Gary, Ind.	-----	1.98	-----	2.08	2.03	2.03	2.03	Confer.	-----	-----	-----
Sparrows Pt., Md.	-----	2.025	-----	-----	-----	-----	-----	-----	1.825	-----	-----
Youngstown, Ohio	-----	-----	-----	-----	-----	-----	-----	Confer.	1.825	-----	-----
Gulf Ports.	2.325	2.325	3.875	-----	-----	-----	2.375	Confer.	-----	Confer.	-----
Pac. Coast Ports.	2.475	2.475	4.025	2.525	3.175	-----	2.525	Confer.	-----	Confer.	-----

¹ Birmingham, Ala.: Standard Structural Shapes Only.

Pacific Coast and Gulf Ports prices base plus Ocean Carrier long length and heavy lift extras per Freight Tariff #1-A in addition to standard extras.

Minimum Carload: Chicago and Gary—60,000 lb. } Finished 30 Gross Tons }
Other Points —50,000 lb. } 25 Gross Tons } Semi-Finished.

CARNEGIE-ILLINOIS STEEL CORPORATION,
General Sales Department.

Delivery Point Prices, Alloy Steel

[Billets, Slabs and Ingots, Prices Base per Gross Ton; All Others, Prices Base per 100#]

Delivery Point	Struct. Shapes	Alloy Plates	Alloy Bars	Alloy Small Shapes	Alloy Billets & Slabs	Alloy Ingots
Pittsburgh, Pa.	Confer.	Confer.	\$2.575	Confer.	\$51.50 G. T.	\$42.50 G. T.
Birmingham, Ala.	Confer.	Confer.	2.575	Confer.	51.50	42.50
Bethlehem, Pa.	Confer.	Confer.	2.575	Confer.	51.50	42.50
Buffalo, N. Y.	Confer.	Confer.	2.575	Confer.	51.50	42.50
Canton, Ohio.	Confer.	Confer.	2.575	Confer.	51.50	42.50
Chicago, Ill.	Confer.	Confer.	2.53	Confer.	51.60	42.60
Gary, Ind.	Confer.	Confer.	2.575	Confer.	51.50	42.50
Massillon, Ohio.	Confer.	Confer.	2.575	Confer.	51.50	42.50

Minimum Carload: Chicago and Gary—60,000 lb. } Finished 30 Gross Tons }
Other Points —50,000 lb. } 25 Gross Tons } Semi-Finished.

CARNEGIE-ILLINOIS STEEL CORPORATION,
General Sales Department

Delivery Point Prices, Semi-Finished Material

[All prices are base per gross ton]

Delivery Point	Blooms, Billets, Slabs, Rerolling	Blooms, Billets, Slabs, Forging	Ingots Forging	Sheet Bars	Hot Rolled Rods over 1 5/32" to 4 7/64", incl.
Pittsburgh, Pa.	\$30.50	\$37.50	Confer.	\$30.50	Confer.
Anderson, Indiana	30.50	37.50	Confer.	30.50	Confer.
Birmingham, Ala.	30.50	37.50	Confer.	30.50	Confer.
Buffalo, N. Y.	30.50	37.50	Confer.	30.50	Confer.
Canton, Ohio.	30.50	37.50	Confer.	30.50	Confer.
Chicago, Ill.	30.50	37.50	Confer.	30.50	Confer.
Cleveland, Ohio.	30.50	37.50	Confer.	30.50	Confer.
Duluth, Minn. (Billets only)	32.50	39.50	Confer.	30.50	Confer.
Galveston, Texas (Gulf Ports)	30.50	37.50	Confer.	30.50	Confer.
Gary, Indiana.	30.50	37.50	Confer.	30.50	Confer.
San Francisco, Cal. (Pacific Coast)	30.50	37.50	Confer.	30.50	Confer.
Sparrows Point, Md.	30.50	37.50	Confer.	30.50	Confer.
Worcester, Mass.	30.50	37.50	Confer.	30.50	Confer.
Youngstown, Ohio.	30.50	37.50	Confer.	30.50	Confer.

Minimum Carload: Chicago and Gary—60,000 lb. } Finished {30 Gross Ton}
 Other Points —60,000 lb. } {25 Gross Ton} Semi-Finished.

CARNEGIE-ILLINOIS STEEL CORPORATION,
 General Sales Department.

CARNEGIE-ILLINOIS STEEL CORPORATION
 UNITED STATES STEEL CORPORATION SUBSIDIARY

General Offices: Carnegie Building

PITTSBURGH, PA.

CLEMENT V. M'KAIG

Vice President and General Manager of Sales

J. HALSEY M'KOWN

Assistant Vice President and Assistant General Manager of Sales

JUNE 6, 1936.

To all managers of sales:

Subject: Third Quarter Prices 1936

Supplementing our letter of May 23rd covering price announcements, wish to advise you that there will be an advance of \$2.00 per ton on Steel Axles for such business to be shipped during the third calendar quarter year ending September 30, 1936, resulting in the following delivered prices:

Pittsburgh..... 2.925¢ base
 Birmingham..... 2.925¢ base
 Chicago..... 2.93¢ base

These prices are subject to the Standard Classification of Extras covering Steel Axles as well as our Standard Terms and Conditions of Sale as provided for our other products.

All inquiries should be submitted as heretofore.

Very truly yours,

J. H. MCKOWN,

Assistant Vice President and Assistant General Manager of Sales.

FEBRUARY 1, 1940.

HON. JOSEPH C. O'MAHONEY,
*Chairman, Temporary National Economic Committee,
 United States Senate, Washington, D. C.*

DEAR SENATOR O'MAHONEY: My attention has just been called to certain statements made by Mr. Willis J. Ballinger, Director of Studies of the Federal Trade Commission, at the hearing before the Temporary National Economic Committee on January 30, 1940, in which Mr. Ballinger purported to summarize some of my testimony at previous hearings. I was not present at this hearing on January 30, 1940, as I had been informed by representatives of the Federal Trade Commission at the conclusion of the hearing on the preceding day that the Federal Trade Commission had no further questions to ask of Mr. Avery C. Adams and myself, and that we were excused from attending the hearing on January 30, 1940.

As events beyond your control prevented you from attending any of the hearings at which I was a witness, I think it is proper for me to state to you that the summarization of my testimony so given by Mr. Ballinger is not accurate and gives a meaning entirely different from that conveyed by my complete testimony. I respectfully ask that before you and the other members of the Temporary National Economic Committee reach any conclusion, my entire testimony be considered, rather than any summarization thereof given by Mr. Ballinger or by any other representative of the Federal Trade Commission.

As reported on page 395 of the Verbatim Record of the Proceedings on January 30, 1940, Mr. Ballinger stated: "Mr. Fairless admitted that when the basing-point system was followed that it eliminated price competition in the steel industry. That was a very significant admission. * * *"; and then quoted a few excerpts from my testimony, apparently in an attempt to support his further statement (also reported on page 395) that "when the basing-point system was observed, Mr. Fairless clearly conceded that price competition was eliminated from the steel industry. * * * Now it becomes a question of how much the basing system is followed in the steel industry, and Mr. Fairless' whole defense was that this thing, the basing-point system, is sort of a shadowy thing that stands there and nobody takes advantage of it, they are always departing from it, and naturally that suggests why they have it in the first place. * * * Apparently, as I get it, they did not defend the basing point system. They said competition existed in the industry because of departures from it."

Another statement by Mr. Ballinger to the same effect is reported in the first column on page 396 of the Verbatim Record of the Proceedings on January 30, 1940.

May I bring to your attention that Mr. Ballinger failed to cite the following portions of my testimony, which I think throw some additional light on the character of my testimony relative to the particular points he was discussing:

(Extract from page 318 of Verbatim Record of Proceedings on January 26, 1940):

"MR. WOODEN. Mr. Fairless in that connection, even when the basing-point system is working one hundred percent and producing an identical delivered price, your mill net realizations fluctuate even then, do they not?"

"MR. FAIRLESS. The basing point system works one hundred percent every day, twenty-four hours of every day, but it doesn't result in uniform prices because that isn't the reason that the system is in vogue or practice."

(Extract from page 319 of Verbatim Record of Proceedings on January 26, 1940):

"MR. FAIRLESS. I would like most emphatically, if I have that ability, to once and for all state our position in so far as the basing-point system is concerned. Our contention is that breaks in prices are not a breakdown to any degree of the so-called basing-point system. We contend that the basing-point system was in effect and worked just as well when sheets and other flat rolled products sold for eight dollars a ton under the market as it did when they sold definitely on the market."

"There is no relationship, and to constantly be asking us the question about the breakdown of the basing-point system we don't believe is a fair presentation. Everybody, of course, is entitled to their own opinion of the basing-point system, but we contend that the basing-point system is only a vehicle which we use to merchandise our products. We have told you we use it because we know of no better method to merchandise our product. There might be, and if out of these hearings could come that, we would be the first to welcome it."

"Now so far as competition, the fact that you have basing points and that prices are quoted as applying to those basing points for various products, and the fact

that those prices are not maintained or are maintained or are reduced, so many dollars one time and more or less dollars at another time, is in no way in relationship to the basing point system is our contention, and I would like to make that clear if I can."

(Extract from page 341 of Verbatim Record of Proceedings on January 27, 1940):

"Mr. WOODEN. Now I also recall that you testified yesterday afternoon that you agreed with Mr. Gregg, Vice-President of your company, when he testified that if the basing point systems were fully operative there would be no competition in price. Is that correct?"

"Mr. FAIRLESS. That is not correct.

"Mr. WOODEN. What is your position with reference to that?"

* * * * *

"Mr. Fairless. My contention is that competition exists even although two or more companies arrive at the same price or have identical bids, providing, of course, that the conclusion is arrived at legally. It seems to me that when two or more companies are interested in getting a piece of business, tonnage, a contract, that has to do with steel, you immediately have competition. The fact that each of those companies has announced prices to the public certainly prevents them from charging any price that they might choose to charge."

(Extract from page 342 of Verbatim Record of Proceedings on January 27, 1940):

"Mr. Fairless. What I did say, Mr. Chairman, was this, that if all steel companies—if all steel companies—had basing points and posted their base prices, which is to begin with a competitive situation, but if they did post their prices and they did quote in respect to steel tonnage in a territory, or any territory, and they used the nearest basing point and applied the base price that had been published by the company that governed or controlled that basing point, and added all the charges, extras and all the transportation charges, there would be obviously uniform price arrived at, but that doesn't mean that that would not still be a competitive price so far as competition is concerned, because the basis to begin with, the base price, was competitive, bound to be competitive."

Various statements made by Mr. Ballinger and Mr. Wooden at the hearing on January 30, 1940 seem to me to convey the impression that the testimony of Mr. Adams and myself was contrary to and not in support of the pamphlet on the basing point practice, submitted to the Committee by United States Steel Corporation as Exhibit No. 1418. That is not correct, and I hope that you and each other member of the Committee will read this pamphlet in its entirety before reaching any conclusion.

May I request that this letter be made a part of the record of the Temporary National Economic Committee?

Respectfully yours,

BENJAMIN F. FAIRLESS, *President.*

BFF:MRW

Copy to: Mr. Willis J. Ballinger, Director of Studies, Federal Trade Commission, Washington, D. C.

FEDERAL TRADE COMMISSION,
Washington, February 6, 1940.

Hon. JOSEPH C. O'MAHONEY, Chairman,
Temporary National Economic Committee, United States Senate,
Washington, D. C.

DEAR SENATOR O'MAHONEY: The letter of Mr. B. F. Fairless, president of the United States Steel Corporation, to you under date of February 1, 1940, has come to my attention through a copy which he sent to Mr. Ballinger. The statement is noted that various comments by Mr. Ballinger and me at the hearing of January 30 imply that Mr. Fairless' testimony was contrary to, and not in support of, the Corporation's pamphlet submitted to the Committee as Exhibit 1418. Such a conclusion is now challenged by the Corporation.

There are other portions of Mr. Fairless' testimony to which attention should be called, as well as those set forth in his letter. Taken collectively, they support the challenged conclusion. They also support the comments of Mr. Ballinger to which exception is specifically taken.

The Corporation's letter quotes from Mr. Fairless' testimony on page 341 of the verbatim record that it was not correct to say that he had agreed with Mr. Gregg, a vice-president of the Corporation, who had said that if the basing-point system "were universally followed, there would be no competition in so far as

one element of competition is concerned, namely, price." Yet Mr. Fairless had previously testified, as shown on page 317 of the verbatim record, as follows:

"We will concede, if that is the point we are trying to make, that if base prices as announced were followed in every transaction, and that the nearest basing point to the consumer governed, and that the rail freight was added from that point, and the delivered price arrived at in that manner, there wouldn't be any competition in the Steel Industry. It would be a one price industry pure and simple."

Mr. Fairless had also testified that "As I read from the record, Mr. Gregg said substantially what I have just said." (Page 318 of verbatim record.)

By contrast with the foregoing, Mr. Fairless now quotes from his testimony on page 318 of the verbatim record, as follows:

"The basing point system works 100% every day, 24 hours of every day, but it doesn't result in uniform prices because that isn't the reason that the system is in vogue or practice."

Although Mr. Fairless made that claim, the Corporation, in its prepared statement to the Committee, quoted from a report of the NRA that "the outstanding characteristic of the basing point system is the fact that it puts rival producers on a footing of price equality with each other in all the consuming points over a wide area." (Exhibit 1418, page 37.) Mr. Fairless testified that this was "a true statement", although claiming at the same time that this did not preclude competition in such areas. (Page 318 of verbatim record.)

Taking these several quotations together, they amount to saying that if the basing point system is working 100% there would be no price competition, but that although the system works 100%, 24 hours of every day, it does not result in uniform prices. They amount to saying also that the system is not intended to produce uniform prices although that is its outstanding characteristic.

Mr. Fairless' letter also cites his testimony on page 319 of the verbatim record to the effect that the fact that basing point prices "are not maintained, or are maintained, or are reduced so many dollars one time and more or less dollars at another time is in no way in relationship to the basing point system." He testified that such "is our contention and I would like to make that clear if I can." He further testified that "our contention is that breaks in prices are not a break-down to any degree of the so-called basing point system," and that "the basing point system was in effect and worked just as well when sheets and other flat rolled products sold for \$8 a ton under the market as it did when sold definitely on the market."

Such contentions are equivalent to saying that the system whose outstanding characteristic is to put rival producers on a footing of price equality everywhere works just as well when steel products are sold far below the equal delivered prices which the system contemplates. They are the equivalent of saying that while reductions below the market price of the system have no relationship to the system itself, nevertheless, the system is in effect and works just as well when prices are being made below the market price reflected by the system. If, in fact, price reductions have no relation to the system, it would follow that the system, as such, tends to maintain prices on a higher level.

In the concluding parts of Mr. Fairless' letter, his testimony on pages 341 and 342 of the verbatim record is cited, to the effect that competition exists even where producers make identical bids and that as long as the base price is competitive the whole basing point system is competitive, notwithstanding that it produces identical delivered prices. This position cannot be reconciled with Mr. Fairless' testimony on page 317 that if delivered prices were arrived at by adding rail freight from the governing basing point to the announced base price "there wouldn't be any competition in the Steel Industry." Nevertheless, the position that the system is competitive is the main theme and thesis of the Corporation's pamphlets submitted to the Committee as Exhibits 1418 and 1410.

Since you were not present when Mr. Fairless gave his testimony, it would be desirable, as he suggests, that his entire testimony be considered, and not only the portions which he and I have called to your attention. There is not the slightest objection to having Mr. Fairless' letter made a part of the record, as he requests, but may I not ask that this letter of comment be similarly received?

Respectfully yours,

(Signed) WALTER B. WOODEN,
Walter B. Wooden,
Attorney.

Copy to: Mr. Benjamin F. Fairless, President, United States Steel Corporation, New York, New York.

The following letter and tables are included at this point in connection with testimony supra.

Chairman
Board of Directors

UNITED STATES STEEL CORPORATION,
71 Broadway, New York, October 4, 1940.

Hon. JOSEPH C. O'MAHONEY,
*Chairman, Temporary National Economic Committee,
Senate Office Building, Washington, D. C.*

DEAR SENATOR O'MAHONEY: In order that the record of the Temporary National Economic Committee may be accurate as to the facts set forth therein, we request that this letter and the two accompanying tables be made a part of that record at the appropriate place.

A pamphlet entitled "The Basing Point Method of Quoting Delivered Prices in the Steel Industry" was submitted to the Temporary National Economic Committee by United States Steel Corporation and was introduced into the records as Exhibit 1418. In that exhibit there appears on page 34 thereof the following statement:

"* * * An examination of records, covering Federal Government awards for steel products made at Washington, D. C., during 1938 and the first quarter of 1939, indicates that such awards aggregated approximately \$10,550,000, of which about 80% in value went to the lowest bidder and only about 16.5% in value by lot on account of identical bids. The balance of 3.5% was awarded on a basis other than of price."

The above statement represented the result of a statistical analysis made by United States Steel Corporation of awards on United States Government purchases of steel products made at Washington, D. C., during such period of fifteen months. The underlying records upon which such analysis was based were furnished by us, upon request, to the Federal Trade Commission and were introduced by the Federal Trade Commission into the record of the Temporary National Economic Committee as Exhibits 2210 and 2211.

At the hearings before the Temporary National Economic Committee on January 30, 1940 (the witnesses for the United States Steel Corporation having been excused the preceding day), the accuracy of the above quoted statement was questioned by Mr. Hugh E. White, Economist for the Federal Trade Commission.

Since such hearing on January 30, 1940, we have followed your suggestion and have rechecked the underlying records (Exhibits 2210 and 2211), using the annotations thereon made by the Federal Trade Commission which show their classification of the items contained therein, in an effort to determine whether or not an error was committed. This letter and the accompanying tables give the results of such recheck.

1. *Dollar Amounts of Awards.*—The underlying records (Exhibits 2210 and 2211) cover total awards of more than \$28,000,000. In the statistical analysis originally made by the United States Steel Corporation there were excluded awards for all products other than steel products, and there were also excluded awards for certain steel products, such as those sold for export and armor plate and special treatment steel, which were not sold under the Basing Point Method. Awards for the remaining steel products, which formed the basis of our analysis, had a total value of approximately \$10,500,000. In the computation made by the Federal Trade Commission the total awards were divided into "Rolling Mill Products", "All Other Steel Products" and "Other Products". The awards which the Federal Trade Commission found to be in the first class totaled approximately \$4,500,000. Messrs. White and Wooden of the staff of the Federal Trade Commission gave the impression at the hearing on January 30, 1940, that such awards were the only ones to be considered and that, therefore, the Corporation's statement of the total value of the awards for steel products was erroneous. We do not believe that the Federal Trade Commission's bases of classification are proper, or that there is any good reason for restricting such awards only to those for "Rolling Mill Products". Our re-examination of the underlying records indicates that awards for steel products during this period aggregated approximately \$10,000,000, or about \$500,000 less than the amount named in our original statistical analysis.

2. *Awards by Value.*—An examination by your Committee of Exhibit 2231, the table which Mr. White introduced in support of his testimony, will show that upon a value basis the percentage of awards made by lot because of identical bids was 12.67%. We understand that Mr. White has since corrected his testimony to accord with this percentage. Table 1 attached hereto contains a correct

calculation of the percentages of the figures contained in Exhibit 2231, submitted by the Federal Trade Commission. It is noteworthy that by narrowing the classification to "Rolling Mill Products" and to "awards to producers of rolling mill products", Mr. White found awards of only 12.67% made by lot because of identical bids, which is even lower than the figure of 16.5% found by United States Steel Corporation in its original statistical analysis.

3. *Awards by Numbers.*—A careful count of each of the types of bids found in the underlying records (Exhibits 2210 and 2211) will reveal no apparent basis for Mr. White's statement that 89.54% of awards on steel products by number, as distinguished from value, were made by lot because of tie bids. On the basis of the classification adopted by the Federal Trade Commission (which they indicated by a symbol with respect to each item on such underlying records), the total number of items in each of the various classes and the corresponding percentages are shown in Table 2, attached hereto. It may be noted that for the classification "Awards for Rolling Mill Products to Producers of Rolling Mill Products", which is the one which the Federal Trade Commission seems to regard as the most significant, only 138 out of 544 awards, or 25.4%, were awards made by lot because of tie bids. This is in contrast to the figure of 89.54% cited by Mr. White in his testimony and shown in Exhibit 2232, submitted by the Federal Trade Commission. Awards by number made because of lower price amounted to 62.3%. It is impossible to ascertain from the underlying records as annotated by the Federal Trade Commission, how the percentage contained in Exhibit 2232 was obtained.

As stated in the first paragraph hereof, in the interest of accuracy we ask that this letter and the accompanying tables be included in the record of the Temporary National Economic Committee at the appropriate place.

Respectfully yours,

IRVING S. OLDS
Irving S. Olds, *Chairman.*

Copy to Chairman, Federal Trade Commission, Washington, D. C.

[Submitted with letter of United States Steel Corporation, dated October 4, 1940]

TABLE I.—Percentage analysis of the Federal Trade Commission's T. N. E. C. exhibit 2231

Contracts awarded to "Rolling Mills":

(a) Rolling Mill Products:

Awards by "lot-tie bids"-----	12.7%
Awards at "lower price"-----	85.6%
Awards at other than price-----	1.7%

(b) All other steel products:

Awards by "lot-tie bids"-----	1.6%
Awards at "lower price"-----	98.3%
Awards at other than price-----	.1%

Contracts awarded to "Others":

(a) Rolling Mill Products:

Awards by "lot-tie bids"-----	16.3%
Awards at "lower price"-----	83.7%
Awards at other than price-----	0.0%

(b) All other steel products:

Awards by "lot-tie bids"-----	9.6%
Awards at "lower price"-----	86.4%
Awards at other than price-----	4.0%

All Awards:

(a) Rolling Mill Products:

Awards by "lot-tie bids"-----	13.4%
Awards at "lower price"-----	85.2%
Awards at other than price-----	1.4%

(b) All other steel products:

Awards by "lot-tie bids"-----	2.3%
Awards at "lower price"-----	97.3%
Awards at other than price-----	.4%

(c) Total all steel products:

Awards by "lot-tie bids"-----	4.8%
Awards at "lower price"-----	94.6%
Awards at other than price-----	.6%

[Submitted with letter of United States Steel Corporation, dated October 4, 1940]

TABLE 2.—*Numerical measurement of awards for rolling mill products and all other steel products—1938 and first quarter 1939*

AWARDS FOR ROLLING MILL PRODUCTS

		No. of Bids	Percent- age
Awards to producers of rolling mill products	Total.....	544	100.
	Tie bids.....	138	25.4
	Unlike bids (low bids).....	339	62.3
	Unlike bids (other than price).....	67	17.3
Awards to nonproducers.....	Total.....	189	100.
	Tie bids.....	16	8.5
	Unlike bids (low bids).....	165	87.5
	Unlike bids (other than price).....	8	4.2
Total of awards of rolling mill products.....	Total.....	733	100.
	Tie bids.....	154	21.01
	Unlike bids (low bids).....	504	68.76
	Unlike bids (other than price).....	75	10.13

AWARDS FOR ALL OTHER STEEL PRODUCTS

Total awards on all other steel products.....	Total.....	1239	100.
	Tie bids.....	155	12.5
	Unlike bids (low bids).....	1027	82.9
	Unlike bids (other than price).....	57	4.6

NOTE.—This table has been compiled on the same basis and from the same sources on which T. E. N. C. Exhibit 2232, introduced by the Federal Trade Commission, purports to have been compiled.

The following letter is included at this point in connection with testimony supra.

NOVEMBER 29, 1940.

Mr. IRVING S. OLDS,

*Chairman of the Board, United States Steel Corporation,
71 Broadway, New York City, New York.*

DEAR SIR: A copy of your letter of October 4 to Senator O'Mahoney (as revised by you October 28) was sent to and received by Chairman Davis of the Federal Trade Commission and was then referred to me for attention. Earlier reply has not been made because of the pressure of other urgent matters and the difficult task under existing circumstances in Washington of relating your basic data ("Exhibits Nos. 2210 and 2211") to various departmental records.

First, however, let me say that the erroneous references in the testimony to "Exhibit No. 2231" had been discovered and corrected before receipt of your letter. The percentage errors contained in "Exhibit No. 2232" and described in your letter have since been corrected in accordance therewith. Cross-reference notations of these corrections have also been made in the record where necessary to present the exact facts. These corrections and cross-references together with the tables submitted with your letter should clear the record factually for your contentions with respect to the statement appearing on page 34¹ of "Exhibit No. 1418."

"Exhibits Nos. 2231 and 2232" were prepared for the purpose of ascertaining the extent to which departures as of a certain period were being made from the basing point system in the sale of steel products to governmental agencies. Referring to your criticism of the classification of bidders which was used in those exhibits and your inability to see "any good reason for restricting such awards only to those for rolling mill products", there was a segregation rather than a restriction. Such segregation was made upon the theory that the reference in "Exhibit No. 1418" to governmental awards of \$10,550,000 was logically relevant only to the issue of the identity of bids of steel rolling mills on their steel products usually sold under the basing point system and not to the subsequent sale of such products by independent jobbers nor to the sale of subsequently fabricated products.

¹ Of the original document.

A re-examination of your underlying data contained in "Exhibits Nos. 2210 and 2211" has been made in view of your statement that the awards for "steel products" approximated \$10,000,000, as contrasted with our approximation of "rolling mill products" of \$4,500,000 and our approximation of \$17,000,000 for "other steel products" exclusive of rolling mill forms. Because of this wide disparity and the seeming inclusion by you in the category of "steel products" of a very large amount of "other steel products," we have included the details of our classification of "rolling mill products" and "other steel products" in a supplement to "Exhibit No. 2242." This supplement constitutes a breakdown of "Exhibit No. 2231." We understand that a page proof of the supplement was sent you by the T. N. E. C.

Although your abbreviations are not clear in some instances most rolling mill products are readily recognizable. Unless and until it is known, however, just which items (other than those shown in supplement to "Exhibit No. 2242") were included in your approximation of \$10,000,000 of "steel products" and whether they were in fact rolling mill products, there seems to be no basis for comparison between that total and our total which aggregated \$17,000,000. In this connection it may be said that in the limited examination of source data (as suggested at page 388 of the verbatim record) many of the doubtful items which we put into the category of "other steel products" are now disclosed as not being steel products at all. To that extent our approximation of \$17,000,000 of "other steel products" was too large.

In our view of the matter, however, all these things are but incidental details of a check made to ascertain to what extent the basing point system was working in the limited instances cited on page 34 of "Exhibit No. 1418." We think the mechanics of the basing point system as such is not a subject of dispute. Your Mr. Fairless admitted that it works 24 hours a day and that when it functions perfectly it automatically produces a definite mathematical result, i. e., identical destination prices. The statement in "Exhibit No. 1418," page 34, to which our analysis of your basic data on governmental awards was directed, was evidently intended to substantiate the obvious fact contained in the paragraph immediately preceding it, to the effect that in times of low demand price cutting is frequent. During that process, as it was there correctly said, "a lower general level of prices may be established." During such periods of price cutting it is altogether probable that destination prices would not be completely identical. Yet the framework of the system would be preserved and in time producers would, as you correctly say, "again quote identical delivered prices" (page 34).

The paragraph referred to and the evidence cited in support thereof suggest a failure to understand the economic implications which are inherent in the basing point system. The departures from the system "in times of low demand" when the pressure of surpluses is difficult to resist are not peculiar to the steel industry. The statement that such departures occur or even an extended statistical showing of that fact does not seem to constitute any logical defense of the system itself.

Very truly yours,

[S] WALTER B. WOODEN,
Assistant Chief Counsel, Federal Trade Commission

WBW:MC

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